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( ) RECORDING REQUESTED BY AND )  
WHEN RECORDED MAIL TO: )

)  
Attn: Arto C. Becker, Esq. )  
Hawkins Delafield & Wood LLP )  
333 South Grand Avenue, Suite 3650 )  
Los Angeles, California 90071 )

(Space above for Recorder's Use)

This document is recorded for the benefit of the City of San Diego and the recording is fee-exempt under Section 6103 of the California Governmental Code.

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**ASSIGNMENT AGREEMENT**

by and between the

**PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO**

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION  
as Trustee**

relating to the

**\$[Principal Amount]  
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE BONDS, SERIES 2008A.  
(VARIOUS CAPITAL IMPROVEMENT PROJECTS).**

**Dated as of June 1, 2008**

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**ASSIGNMENT AGREEMENT**

THIS ASSIGNMENT AGREEMENT, dated as of June 1, 2008 (this "Assignment Agreement"), by and between the **PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO** (the "Authority"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America and authorized to accept assignments of the nature herein set forth, as trustee (the "Trustee");

**WITNESSETH**

**WHEREAS**, the Authority and The City of San Diego (the "City") have executed and entered into a Lease (the "Lease"), dated as of the date hereof, pursuant to which the Authority has agreed to lease to the City certain Leased Property (as defined therein and described in Exhibit B thereto and attached as Exhibit A hereto) and the Project (as defined therein and described in Exhibit A thereto) as provided therein; and

**WHEREAS**, under and pursuant to the Lease, the City is obligated to make Base Rental Payments (as defined in the Lease) to the Authority for the use and possession of the Leased Property; and

**WHEREAS**, the Authority desires to assign without recourse all of its rights to receive the Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease to the Trustee for the benefit of the owners of certain Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) (the "Series 2008A Bonds") to be delivered in accordance with the Indenture (as defined hereafter); and

**WHEREAS**, the City has determined that it is in the public interest, convenience and welfare and for the common benefits of the inhabitants of the City that the City finance the Project through the delivery of the Lease and the issuance and delivery of the Series 2008A Bonds; and

**WHEREAS**, in consideration of such assignment and the execution and entering into of the Indenture, dated as of the date hereof (the "Indenture"), by and between Authority and the Trustee, the Trustee has agreed to deliver the Series 2008A Bonds in an aggregate amount equal to the principal amount of such Base Rental Payments; and

**WHEREAS**, the City is authorized by law to lease the Leased Property and the Project is necessary and proper for public purposes; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Assignment Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Assignment Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

**Section 1. Definitions.** All capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

**Section 2. Assignment.** The Authority hereby transfers, assigns and sets over to the Trustee without recourse, for the benefit of the registered owners (the "Owners") of the Series 2008A Bonds executed and delivered in accordance with the Indenture, all of the Authority's (A) rights under the Site Lease; and (B) right, title and interest (but none of its obligations) under the Lease (excepting only the Authority's rights under Sections 10.01 and 10.03 of the Lease), including, without limitation: (1) the right to receive and collect all of the Base Rental Payments, Additional Rental and prepayments from the City under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained thereunder, of any condemnation award rendered with respect to the Leased Property, or of any lease of the Leased Property in the event of a default by the City under the Lease; and (3) the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease as may be necessary or convenient (i) to enforce payment of the Base Rental Payments, Additional Rental, prepayments and any other amounts required to be deposited to the credit of the City in its Principal Account, its Interest Account, its Redemption Account or its Insurance Proceeds and Condemnation Awards Fund established under the Indenture or (ii) otherwise to protect the interests of the Authority in the event of a default by the City under the Lease.

All rights assigned by the Authority shall be administered by the Trustee as assignee thereof according to the provisions of the Indenture and for the equal and proportionate benefits of the Owners of the Series 2008A Bonds.

**Section 3. Acceptance.** The Trustee hereby accepts the foregoing assignment for the benefit of the Owners, subject to the conditions and terms of the Indenture, and all such Base Rental Payments, Additional Rental and prepayments shall be applied and all such rights so assigned shall be exercised by the Trustee under and pursuant to the Indenture. The Trustee does not warrant the statements contained in the recitals hereto.

**Section 4. No Other Claims.** The Authority hereby represents and warrants that there are no present and outstanding claims on Base Rental Payments or any other moneys assigned by the Authority to the Trustee hereunder.

**Section 5. Conditions.** This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

**Section 6. Payment of Rentals.** Upon payment or provision for payment to the Trustee in full of all Base Rental Payments as described in the Lease and of all other amounts, including any Additional Rental or other amounts owed by the City under the Lease or the Indenture, the Assignment Agreement shall become and be void and of no effect with respect to the Lease and, when the Series 2008A Bonds are no longer Outstanding (as defined in the

Indenture), the Trustee shall execute any and all documents or certificates reasonably requested by the Authority to evidence the termination of this Assignment Agreement.

**Section 7. Further Assurances.** The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and to further assure and confirm to the Trustee and the Owners, from time to time, of the Bonds the rights and benefits intended to be conveyed pursuant hereto.

**Section 8. Governing Law.** This Assignment Agreement shall be construed and governed in accordance with the laws of the State of California.

**Section 9. Counterparts.** This Assignment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Assignment Agreement.

**Section 10. Amendment.** This Assignment Agreement may be amended by the parties hereto in writing, but only in accordance with and as permitted by the terms of the Indenture.

**Section 11. Severability.** If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

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IN WITNESS WHEREOF the parties hereto have executed this Assignment Agreement as of the date first above written.

**PUBLIC FACILITIES FINANCING  
AUTHORITY OF THE CITY OF SAN DIEGO,**  
as Assignor

By: \_\_\_\_\_  
Chair -

ATTEST:

By: \_\_\_\_\_  
Secretary

APPROVED AS TO FORM AND LEGALITY:

MICHAEL J. AGUIRRE, City Attorney

By: \_\_\_\_\_  
Mark D. Blake  
Chief Deputy City Attorney

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION,** as Trustee and Assignee

By: \_\_\_\_\_  
Name:  
Title:

000606

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

STATE OF CALIFORNIA

)

COUNTY OF SAN DIEGO

) ss.

)

On \_\_\_\_\_, before me, \_\_\_\_\_  
Date Name and Title of Officer (e.g. "Jane Doe, Notary Public")

Personally appeared \_\_\_\_\_  
Name of Signer(s)

☐ personally known to me – OR – ☐

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY(IES) CLAIMED BY SIGNER(S)**

- ☐ Individual  
☐ Corporate Officer

\_\_\_\_\_  
Title(s)

- ☐ Partner(s) ☐ Limited  
☐ General  
☐ Attorney-In-Fact  
☐ Trustee(s)  
☐ Guardian/Conservator  
☐ Other: \_\_\_\_\_

Signer is Representing:  
Name of Person(s) or Entity(ies)  
\_\_\_\_\_  
\_\_\_\_\_

**DESCRIPTION OF ATTACHED DOCUMENT**

\_\_\_\_\_  
Title or Type of Document

\_\_\_\_\_  
Number of Pages

\_\_\_\_\_  
Date of Document

\_\_\_\_\_  
Signer(s) Other Than Named Above

## CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

)  
) ss.  
)

—

Personally appeared \_\_\_\_\_  
Name of Signer(s)

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**DESCRIPTION OF ATTACHED DOCUMENT**

- Title(s)

Title or Type of Document

- ☐ Partner(s)
 ☐ Limited
 ☐ General
- ☐ Attorney-In-Fact
- ☐ Trustee(s)
- ☐ Guardian/Conservator
- ☐ Other:

Number of Pages

Date of Document

Signer is Representing:  
Name of Person(s) or Entity(ies)

\_\_\_\_\_  
Signer(s) Other Than Named Above

000608

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

STATE OF CALIFORNIA

)

COUNTY OF SAN DIEGO

) ss.

)

On \_\_\_\_\_, before me, \_\_\_\_\_  
Date Name and Title of Officer (e.g. "Jane Doe, Notary Public")

Personally appeared \_\_\_\_\_  
Name of Signer(s)

☐ personally known to me – OR – ☐

*proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.*

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY(IES) CLAIMED BY SIGNER(S)**

- ☐ Individual  
☐ Corporate Officer

\_\_\_\_\_  
Title(s)

- ☐ Partner(s) ☐ Limited  
☐ General  
☐ Attorney-In-Fact  
☐ Trustee(s)  
☐ Guardian/Conservator  
☐ Other: \_\_\_\_\_

Signer is Representing:  
Name of Person(s) or Entity(ies)  
\_\_\_\_\_  
\_\_\_\_\_

**DESCRIPTION OF ATTACHED DOCUMENT**

\_\_\_\_\_  
Title or Type of Document

\_\_\_\_\_  
Number of Pages

\_\_\_\_\_  
Date of Document

\_\_\_\_\_  
Signer(s) Other Than Named Above



000609

**EXHIBIT A**  
**DESCRIPTION OF LEASED PROPERTY**

See attached.

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**LEGAL DESCRIPTION**

Lots "A" through "I" inclusive in block 22 of Las Alturas No. 5, in the city of San Diego, County of San Diego, State of California, according to map thereof No. 2053 filed in the office of the County Recorder of San Diego County, August 17, 1927.

APNs 548-040-18 through 26 inclusive

**LEGAL DESCRIPTION****PARCEL A (Library Site): (APN 433-101-09)**

Parcel 9 of Parcel Map No. 18354, in the City of San Diego, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on October 8, 1999 as Document No. 1999-0683291.

**PARCEL B (Access and Utility Easement):**

A non-exclusive easement, appurtenant to the real property described in Parcel A above, for pedestrian and vehicular ingress and egress and for utility purposes, over that portion of Parcel 8 of Parcel Map No. 18354 that is depicted on the Parcel Map as "Private Access and Utility Easement" and is more particularly described as:

A portion of Parcel 8 of Parcel Map No. 18354, in the City of San Diego, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on October 8, 1999 as Document No. 1999-0683291, being more particularly described as:

Beginning at the most Westerly corner of said Parcel 9, said point also being a Southwesterly corner of Parcel 8 of said Parcel Map No. 18354; thence North 77°38'45" West, 74.00 feet; thence North 12°21'16" East, 62.05 feet; thence North 48°46' 28" East, 259.85 feet; thence South 41°42'34" East, 46.04 feet; thence South 48°46' 28" West, 189.71 feet to the beginning of a tangent 24.00 foot radius curve, concave Southeasterly, a radial bearing to said point bears North 41°13' 32" West; thence Southwesterly along said curve through a central angle of 36°25'12", 15.26 feet; thence tangent to said curve, South 12°21'16" West, 76.91 feet to the point of beginning.

**LEGAL DESCRIPTION**

Parcel A: APN 319-170-33

Lot 14 of Scripps Ranch Business Park Phase III, in the city of San Diego, County of San Diego, State of California, according to map thereof No. 12130 filed in the office of the County Recorder of San Diego County July 27, 1988.

Parcel A1:

An easement and right-of-way for sewer, water, gas, electric, telephone and cable T.V. purposes over, under, along and across that portion of lot 2 of said map no. 12130 lying within the area delineated and designated on said map as "23 foot easement for sewer, water, gas, electric, telephone and cable T.V."

Parcel B: APN 319-160-19 (portion)

All that portion of Parcel 1-D described in the deed to the City of San Diego recorded November 17, 1959 as Instrument No. 237786, in book 7996, page 566 of Official Records lying Southerly of the Northerly line of the Southerly 40 feet of Scripps Lake Drive, as set aside and dedicated to public use by Resolution No. 224184, adopted on August 6, 1979 and recorded December 15, 1982 as File No. 82-383515 of Official Records and shown on map of Scripps Ranch Business Park Phase III, in the city of San Diego, County of San Diego, State of California, according to map thereof No. 12130 filed in the office of the County Recorder of San Diego County July 27, 1988 and lying Northwesterly of the Northwesterly boundary of lot 14 of said Map no. 12130, being a portion of the North half of the Southeast quarter of section 32, township 14 South, range 2 West, San Bernardino meridian, in the City of San Diego, County of San Diego, State of California, according to Official Plat Thereof.

000613

LEGAL DESCRIPTION

All of Block 5 of Culverwell's Addition, in the city of San Diego, County of San Diego, State of California, according to map thereof No. 143 filed in the office of the County Recorder of San Diego County June 3, 1870.

Together with the alley in said Block 5 as vacated and closed to public use by resolution No. R-261484, adopted on September 10, 1984 and recorded September 24, 1984 as File No. 84-360181.

Also together with all of Block 178 of Horton's Addition, in the city of San Diego, County of San Diego, State of California, according to map thereof on file in the office of the County Recorder of San Diego County.

APN 534-351-05

000614

Parcel A:

Lots 1 through 7 inclusive in Block 9, 1 through 5 inclusive in Block 10 and 1, 2 and 3 in Block 11 of Homeland Villas, in the City of San Diego, County of San Diego, State of California, according to map thereof No. 1010 filed in the office of the County Recorder of San Diego County October 9, 1906.

Excepting therefrom those portions described in deeds for street purposes recorded January 24, 1955 in book 5506, page 65 and February 11, 1955 in book 5529, page 175, both of Official Records.

Parcel B:

Lot 1 of Pueblo Lot 1209 of the Pueblo Lands of the City of San Diego, County of San Diego, State of California, as said Lot 1 is shown on Partition Map and Decree in case no. 8341, Superior Court of San Diego County entitled John P. Burt vs. J. S. Manassee et al.

Excepting therefrom that portion lying easterly of the southwesterly lines of Villa Marina Unit No. 1, according to map thereof no. 4950, and Villa Marina Unit No. 3, according to map thereof no. 5177; both being filed in the office of County Recorder of San Diego County.

Also excepting therefrom that portion lying westerly of a line described as follows:

Beginning at the intersection of the south line of said Lot 1 with the easterly line of the 100 foot wide right-of-way of the Atchison, Topeka and Santa Fe Railway Company (successor in interest to the California Southern Railroad Company) as last said right of way is described in condemnation case no. 132 dated March 16, 1882, in the Superior Court of the County of San Diego, recorded in Book 42 of Deeds, Page 279 et seq., in the office of County Recorder of San Diego County; and in Book 1 of Judgments, Page 259 in the office of County Recorder of San Diego County; thence northwesterly along said easterly line 1056.40 feet to a point in the westerly line of said lot.

Also excepting therefrom that portion described as follows:

Beginning at the northwest corner of said lot 1; thence along the west line thereof south  $14^{\circ}37'40''$  east 84.56 feet; thence north  $53^{\circ}42'06''$  east 136.47 feet to a point in the north line of said lot 1 distant 131.35 feet from the point of beginning; thence north  $89^{\circ}32'55''$  west 131.35 feet to the point of beginning.

Also excepting all minerals contained in the herein described land, including, without limiting the generality thereof, oil, gas and other hydrocarbon substances as well as metallic or other solid minerals, provided that Santa Fe shall not have the right to go upon or use the surface of said land, or any part thereof, for the purpose of drilling for, mining or otherwise removing any of said minerals, as reserved by the Atchison, Topeka and Santa Fe Railway Company in deed recorded August 20, 1957, in book 6714, page 287 of official records.

TO THE COUNTY RECORDER  
SAN DIEGO, CALIF.

RECORDED  
AUG 25 1980

INDEXED

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE BONDS, SERIES 2008A  
(VARIOUS CAPITAL IMPROVEMENT PROJECTS)**

**Log of Outstanding Items as of March 17, 2008**

**Indenture**

<i>Section</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability</i>
Cover and Page 1	\$(Par Amount]	UW/City	Will be completed at Pricing
Article I - Page 3	"Closing Date" means June __, 2008, the date on which the Series 2008A Bonds are initially issued.	UW/City	Will be completed at Pricing
Article I - Page 11	"Purchaser Payment Account" means Credit Account: [_____] maintained with Bank of America, GCIB Credit Services, Mail Code: CA9-702-05-73, ABA #026009593, For Further Credit to: Public Facilities Financing Authority of the City of San Diego, Obligor [_____] , Facsimile Number: (626) 666-6766, or such other account as the Purchaser may hereafter designate in writing as such to the Authority.	UW/City	Will be completed at Pricing
Article II - Page 14	The Series 2008A Bonds shall be designated "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects)" and shall be in the aggregate principal amount of [Aggregate Principal Amount (\$_____)]. The Series 2008A Bonds shall be dated the Closing Date, shall be issued in Authorized Denominations, and shall mature on the Maturity Date. The Series 2008A Bonds shall bear interest at a rate of ____% per annum from their date of issuance through June 1, 2010	UW/City	Will be completed at Pricing
Article II - Page 17	Maturity Schedule	UW/City	Will be completed at Pricing

Article III - Page 24	(1) the Trustee shall transfer the amount of \$[COSTS OF ISSUANCE DEPOSIT] to the City for deposit in the Costs of Issuance Fund; and (2) the Trustee shall transfer the amount of \$[CONSTRUCTION FUND DEPOSIT] to the City for deposit in the Construction Fund, for purposes of reimbursement for certain costs of the Project advanced by the City and payment of costs incurred or expenditures made in connection with the Project.	City	Will be completed at Pricing
Exhibit A - Page 2	{Principal Amount (\$_____)}	UW/City	Will be completed at Pricing
Exhibit B - Form of COI Fund Requisition	The undersigned, on behalf of The [City of San Diego] [Public Facilities Financing Authority of The City of San Diego (the "Authority")],	City	This is a form and will be modified at each requisition request.
Exhibit B - Form of COI Fund Requisition	Payee [name and address]	City	This is a form and will be modified at each requisition request.
Exhibit C - Form of Construction Fund Requisition -	The undersigned, on behalf of The [City of San Diego] [Public Facilities Financing Authority of The City of San Diego (the "Authority")],	City	This is a form and will be modified at each requisition request.
Exhibit C - Form of Construction Fund Requisition	Payee [name and address]	City	This is a form and will be modified at each requisition request.
Exhibit C - Form of Construction Fund Requisition - Signature Block	General Services Director [or his designee] Comptroller [or his designee]	City	This is a form and will be modified at each requisition request.
Signature Page	JPA and Trustee Signatures	JPA, Trustee	At Closing



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INDENTURE

by and between the

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Trustee

Dated as of June 1, 2008

\$(Par Amount)  
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE BONDS, SERIES 2008A  
(VARIOUS CAPITAL IMPROVEMENT PROJECTS)

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## TABLE OF CONTENTS

Page

## ARTICLE I

## DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions.....	2
Section 1.02. Construction.....	13
Section 1.03. Equal Security.....	13

## ARTICLE II

ISSUANCE OF SERIES 2008A BONDS; REGISTRATION AND TRANSFER OF SERIES  
2008A BONDS

Section 2.01. Authorization and Purpose of Series 2008A Bonds .....	14
Section 2.02. Terms of the Series 2008A Bonds .....	14
Section 2.03. Redemption of Series 2008A Bonds.....	16
Section 2.04. Form of Series 2008A Bonds.....	18
Section 2.05. Execution of Series 2008A Bonds.....	18
Section 2.06. Transfer and Payment of Series 2008A Bonds .....	19
Section 2.07. Exchange of Series 2008A Bonds.....	19
Section 2.08. Registration Books.....	20
Section 2.09. Mutilated, Destroyed, Stolen or Lost Series 2008A Bonds.....	20
Section 2.10. Temporary Series 2008A Bonds.....	20
Section 2.11. Validity of Series 2008A Bonds .....	21
Section 2.12. Special Provisions as to Series 2008A Bonds Issued In Book-Entry Form .....	21
Section 2.13. Special Provisions as to Series 2008A Bonds Issued in Certificate Form.....	23

## ARTICLE III

## ESTABLISHMENT OF CERTAIN FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 3.01. Establishment of Certain Funds .....	24
Section 3.02. Procedure for the Issuance of Series 2008A Bonds.....	24
Section 3.03. Application of Proceeds and Other Monies .....	24
Section 3.04. Costs of Issuance Fund .....	24
Section 3.05. Construction Fund.....	25

## ARTICLE IV

## REVENUES

Section 4.01. Pledge of Revenues.....	26
Section 4.02. Receipt and Deposit of Revenues in the Payment Fund .....	26
Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Payment Fund .....	26
Section 4.04. Investment of Monies in Funds and Accounts.....	28

## TABLE OF CONTENTS

(continued)

Page

## ARTICLE V

## COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01.	Punctual Payment and Performance .....	28
Section 5.02.	Against Encumbrances.....	29
Section 5.03.	Against Sale or Disposition of the Leased Property .....	29
Section 5.04.	Tax Covenants; Rebate Fund .....	29
Section 5.05.	Payment of Claims .....	31
Section 5.06.	Payment of Taxes and Compliance with Governmental Regulations .....	31
Section 5.07.	Insurance .....	31
Section 5.08.	Insurance Proceeds and Condemnation Awards; Title Insurance.....	31
Section 5.09.	Accounting Records.....	32
Section 5.10.	Lease and Other Documents .....	32
Section 5.11.	Other Liens.....	32
Section 5.12.	Prosecution and Defense of Suits .....	33
Section 5.13.	Further Assurances.....	33

## ARTICLE VI

## THE TRUSTEE

Section 6.01.	Appointment and Acceptance of Duties .....	33
Section 6.02.	Duties, Immunities and Liabilities of Trustee.....	33
Section 6.03.	Merger or Consolidation.....	35
Section 6.04.	Compensation .....	35
Section 6.05.	Liability of Trustee .....	36
Section 6.06.	Right to Rely on Documents.....	37
Section 6.07.	Preservation and Inspection of Documents.....	37

## ARTICLE VII

## AMENDMENT OF THE INDENTURE

Section 7.01.	Amendment of the Indenture .....	37
Section 7.02.	Disqualified Series 2008A Bonds.....	38
Section 7.03.	Endorsement or Replacement of Series 2008A Bonds After Amendment.....	38
Section 7.04.	Amendment by Mutual Consent .....	38

## ARTICLE VIII

## EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 8.01.	Events of Default .....	39
Section 8.02.	Proceedings by Trustee.....	39
Section 8.03.	Effect of Discontinuance of Abandonment.....	40

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 8.04. Rights of Owners .....	40
Section 8.05. Restriction on Owners' Action .....	40
Section 8.06. Power of Trustee to Enforce .....	41
Section 8.07. Remedies Not Exclusive .....	41
Section 8.08. Waiver of Events of Default; Effect of Waiver .....	41
Section 8.09. Application of Moneys .....	41

**ARTICLE IX**

**DEFEASANCE**

Section 9.01. Discharge of Series 2008A Bonds .....	43
Section 9.02. Unclaimed Money .....	44

**ARTICLE X**

**MISCELLANEOUS**

Section 10.01. Liability of Authority Limited to Revenues .....	44
Section 10.02. Benefits of the Indenture Limited to Parties .....	45
Section 10.03. Successor Is Deemed Included In All References to Predecessor .....	45
Section 10.04. Execution of Documents by Owners .....	45
Section 10.05. Waiver of Personal Liability .....	45
Section 10.06. Acquisition of Series 2008A Bonds by Authority .....	45
Section 10.07. Destruction of Canceled Series 2008A Bonds .....	46
Section 10.08. Reliance on Opinions .....	46
Section 10.09. Funds, Accounts and Subaccounts .....	46
Section 10.10. Article and Section Headings and References .....	46
Section 10.11. Partial Invalidity .....	46
Section 10.12. Execution in Several Counterparts .....	47
Section 10.13. Law Governing .....	47
Section 10.14. Notices .....	47

EXHIBIT A FORM OF SERIES 2008A BOND .....	A-1
EXHIBIT B FORM OF COSTS OF ISSUANCE FUND REQUISITION .....	B-1
EXHIBIT C FORM OF CONSTRUCTION FUND REQUISITION .....	C-1
EXHIBIT D TRUSTEE FEE SCHEDULE .....	D-1

INDENTURE

THIS INDENTURE, dated as of June 1, 2008 (the "Indenture"), by and between the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee");

## WITNESSETH:

WHEREAS, the City and the Authority desire to finance certain capital improvements (the "Project") to certain facilities of the City, as more specifically described in Exhibit A to the Lease (as defined below);

WHEREAS, to provide funds for such Project, the Authority desires to issue Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) (the "Series 2008A Bonds") in the aggregate principal amount of \$[Par Amount];

WHEREAS, in order to provide for the repayment of the Series 2008A Bonds, the Authority and the City intend to execute and deliver the Lease, dated as of June 1, 2008 (the "Lease");

WHEREAS, the Series 2008A Bonds will be payable from Base Rental Payments to be made by the City pursuant to the Lease;

WHEREAS, in order to provide for the authentication and delivery of the Series 2008A Bonds issued hereunder, to establish and declare the terms and conditions upon which the Series 2008A Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Series 2008A Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of, premium, if any, and interest on all Series 2008A Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2008A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2008A Bonds by the owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority

does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Series 2008A Bonds, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Lease.

#### Affiliate

"Affiliate" means, with respect to any entity, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity.

#### Agency

"Agency" means the Redevelopment Agency of the City of San Diego, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

#### Agreement

"Agreement" shall mean the Amended and Restated Joint Exercise of Powers Agreement, dated as of January 11, 1999, between the City and the Agency creating the Public Facilities Financing Authority of the City of San Diego, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

#### Applicable Lending Office

"Applicable Lending Office" means the office of the Purchaser at which the Series 2008A Bonds are carried on the books and records of the Purchaser.

#### Authority

"Authority" means the Public Facilities Financing Authority of the City of San Diego, a joint powers agency created by the City and the Agency pursuant to California Government Code Sections 6500 et seq. and the Agreement.

#### Authorized Denominations

"Authorized Denominations" means \$100,000 and any integral multiple thereof.

Base Rental Payments

"Base Rental Payments" means all amounts payable by the City as the Base Rental pursuant to Section 6.01(a) of the Lease.

Beneficial Owner

"Beneficial Owner" means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2008A Bonds (including persons holding Series 2008A Bonds through nominees, depositories or other intermediaries).

Business Day

"Business Day" means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California or Minnesota are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

Certificate of Completion

"Certificate of Completion" means a Certificate of the City filed with the Trustee, stating that the Project being financed with the proceeds of the Series 2008A Bonds has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for.

Certificate of the Authority

"Certificate of the Authority" means an instrument in writing signed by the Chair, the Treasurer or the Secretary of the Authority, or by any other officer or authorized delegate of the Authority duly authorized by the Authority for that purpose.

Certificate of the City

"Certificate of the City" means an instrument in writing signed by the Chief Financial Officer of the City, or by any other officer or authorized delegate of the City duly authorized by the City for that purpose.

City

"City" means The City of San Diego, a municipal corporation duly organized and existing under its charter and the laws of the State.

Closing Date

"Closing Date" means June \_\_, 2008, the date on which the Series 2008A Bonds are initially issued.

Code

"Code" means the Internal Revenue Code of 1986, as amended.

Construction Costs

"Construction Costs" means all costs of acquiring, constructing, installing or improving the Project, including but not limited to:

(i) all costs which the Authority or the City shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the Project;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable to the Authority or the City for actual out of pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation or improvement of the Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the Project prior to or after delivery of the Series 2008A Bonds;

(iii) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation or improvement of the Project;

(iv) all costs of engineering and architectural services, including the actual out of pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, construction, installation or improvement of the Project.

Corporate Trust Office of the Trustee

"Corporate Trust Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the Authority by the Trustee in writing, except that with respect to presentation of Bonds for registration of transfer and exchange such term shall mean the office or agency of the Trustee in Minneapolis, Minnesota or such other address as may be specified in writing by the Trustee to the Authority and the Owner.

Cost of Funds Rate

"Cost of Funds Rate" means (i) in connection with the interest rate for the Series 2008A Bonds from their date of issuance through June 1, 2010, 62.347% of the Purchaser's non-published internal two-year cost of borrowing at the time and date of determination of the initial interest rate for the Series 2008A Bonds and (ii) in connection with the interest rate for the Series 2008A Bonds from June 1, 2010 through their final maturity, 62.347% of the Purchaser's non-



published internal eight-year cost of borrowing at the time and date of determination of the interest rate for the Series 2008A Bonds for such period.

#### Costs of Issuance

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the issuance, sale and delivery of the Series 2008A Bonds and the execution and delivery of this Indenture, the Site Lease and the Lease, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

#### Costs of Issuance Fund

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 3.01 hereof.

#### DTC

"DTC" means The Depository Trust Company in New York, New York.

#### Defeasance Securities

"Defeasance Securities" means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest generic issuer category by S&P or Moody's.

#### Event of Default

"Event of Default" shall have the meaning contained in Section 8.01 hereof.

#### Federal Securities

The term "Federal Securities" means the following securities:

- (i) United States Treasury Bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;
- (ii) Direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank

System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;

(iii) Mortgage Backed Securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; and

(iv) United States Treasury Obligations, State and Local Government Series.

"Structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities. However, floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

#### Fiscal Year

"Fiscal Year" means each annual period of the Authority which, as of the date hereof, is the period from July 1 to the following June 30.

#### Fitch

"Fitch" means Fitch Ratings and its successors, and if such company shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any nationally recognized securities rating agency designated by the Authority and the City.

#### Indenture

"Indenture" means this Indenture, dated as of June 1, 2008, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

#### Information Services

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Services," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Kenny S&P, "Notification Department," 55 Water Street, 45th Floor, New York, New York 10041; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the Series 2008A Bonds to be redeemed as the Agency may designate in a Written Request of the Authority filed with the Trustee.

#### Interest Account

"Interest Account" means the fund by that name established pursuant to Section 4.03 hereof.

Interest Payment Date

"Interest Payment Date" means (i) June 1 and December 1 of each year, commencing on December 1, 2008 and (ii) the redemption date for any Series 2008A Bonds; however, if an Interest Payment Date is not a Business Day, payment of interest on the Series 2008A Bonds through the preceding Business Day may be made on such preceding Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and interest shall accrue for that Interest Payment Date for the period from and after such nominal date.

Lease

"Lease" means that certain Lease, dated as of June 1, 2008, between the City and the Authority, pursuant to which the Authority subleases to the City the Leased Property, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Maturity Date

"Maturity Date" means June 1, 2018.

Maximum Interest Rate

"Maximum Interest Rate" means 12 percent per annum.

Moody's

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

Net Proceeds

"Net Proceeds" means, collectively, the net proceeds of any insurance or condemnation award resulting from any damage or destruction of any portion of the Leased Property payable in accordance with the Lease.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City.

Outstanding

"Outstanding," when used as of any particular time with reference to any Series 2008A Bonds, means (subject to the provisions of Section 7.02) all Series 2008A Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the terms hereof, except:

- (i) Series 2008A Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Series 2008A Bonds paid or deemed to have been paid within the meaning of Section 9.01 hereof;
- (iii) Series 2008A Bonds beneficially owned by the City or the Authority; and
- (iv) Series 2008A Bonds in lieu of or in substitution for which other Series 2008A Bonds shall have been executed by the Authority and authenticated and delivered pursuant to the terms hereof.

Owner

"Owner" means any person who shall be the registered owner of any Outstanding Series 2008A Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

Participant

"Participant" shall have the meaning contained in Section 2.12 hereof.

Payment Fund

"Payment Fund" means the fund by that name established pursuant to Section 3.01 hereof.

Permitted Investments

"Permitted Investments" means any of the following to the extent then permitted by law and Section 5.04:

- (i) Federal Securities;
- (ii) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided, that at the time of their purchase such obligations are rated "AAA" by two Rating Agencies;
- (iii) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by each Rating

Agency in their respective highest short-term rating categories, or, if the term of such indebtedness is longer than three years, rated "AAA" by two Rating Agencies;

(iv) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, rated "A1/P1/F1" by two Rating Agencies;

(v) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated in the highest short term letter and numerical rating category by two Rating Agencies;

(vi) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, and which bankers acceptances mature not later than 180 days from the date of purchase;

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (1) of this definition and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment and shall be placed with the Trustee, the Treasurer or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% the principal amount of such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(viii) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii) and (vii) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii) and (vii) of this definition and which money market fund is rated in their respective highest rating categories by two Rating Agencies;

(ix) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability rated not lower than the "Aa"/"AA"/"AA" category by two Rating Agencies. Only Permitted Investments described in clause (1) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(x) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated in the highest short-term rating category or within one of the three highest long-term rating categories of two Rating Agencies (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(xi) For amounts less than \$10,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(xii) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are rated in either of the two highest rating categories by two Rating Agencies or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(xiii) Investments in the City's pooled investment fund;

(xiv) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(xv) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xii) of this definition and which companies are rated in their respective highest rating categories by two Rating Agencies or have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars (\$500,000,000);

(xvi) For amounts held in the Construction Fund only, any interest rate swap agreement with a counterparty which has at the date of execution thereof an unsecured, uninsured and nonguaranteed long-term obligation rated not lower than "AAA" by two Rating Agencies; provided, that such counterparty may satisfy such rating requirements by providing an insurance policy for its obligations under any such swap agreement from an insurer whose unsecured ratings are in the rating categories required above, or alternatively by providing an unconditional, irrevocable, unsecured, uninsured and

nonguaranteed guaranty of any other entity, including an affiliated entity, whose unsecured ratings are in the rating categories required above; and

(xvii) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended.

Person

"Person" means any legal entity or natural person as the context may require.

Principal Account

"Principal Account" means the account of that name established under the Payment Fund established pursuant to Section 4.03 hereof.

Principal Payment Date

"Principal Payment Date" means June 1 of each year, commencing on June 1, 2010.

Purchaser

"Purchaser" means the initial purchaser of the Series 2008A Bonds from the Authority.

Purchaser Payment Account

"Purchaser Payment Account" means Credit Account: [\_\_\_\_\_] maintained with Bank of America, GCIB Credit Services, Mail Code: CA9-702-05-73, ABA #026009593, For Further Credit to: Public Facilities Financing Authority of the City of San Diego, Obligor [\_\_\_\_\_] Facsimile Number: (626) 666-6766, or such other account as the Purchaser may hereafter designate in writing as such to the Authority. Any notice of a change in the Purchaser Payment Account shall become effective on the fifth day after the delivery of notice thereof to the Authority.

Rating Agency

"Rating Agency" means Moody's, S&P or Fitch.

Rebate Fund

"Rebate Fund" shall have the meaning contained in Section 5.04 hereof.

Rebate Requirement

"Rebate Requirement" with respect to the Series 2008A Bonds shall have the meaning set forth in the applicable Tax Certificate.

Record Date

"Record Date" means the last day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

Redemption Account

"Redemption Account" means the account by that name established within the Payment Fund established pursuant to Section 4.03 hereof.

Representation Letter

"Representation Letter" means the Blanket Letter of Representations delivered upon or prior to the issuance of the Series 2008A Bonds to DTC by the Authority.

Revenues

"Revenues" means all Base Rental Payments made pursuant to the Lease and interest or profits from the investment of money in any fund, account or subaccount (other than the Rebate Fund) pursuant to Section 4.04 hereof.

Securities Depository

"Securities Depository" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Agency may indicate in a Written Request of the Authority delivered to the Trustee.

S&P

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

State

"State" means the State of California.

Supplemental Indenture

"Supplemental Indenture" means any indenture then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.



Tax Certificate

"Tax Certificate" means the Tax and Nonarbitrage Certificate delivered by the Authority at the time of the issuance and delivery of the Series 2008A Bonds, as the same may be amended or supplemented in accordance with its terms.

Trustee

"Trustee" means Wells Fargo Bank, National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 6.02.

Trustee's Agent

"Trustee's Agent" means Bank of America, N.A.

Written Request of the Authority

"Written Request of the Authority" means a request in writing signed by the Chair, the Treasurer or the Secretary of the Authority, or by any other officer or authorized delegate of the Authority duly authorized by the Authority for that purpose.

Written Request of the City

"Written Request of the City" means a request in writing signed by the Chief Financial Officer of the City, or by any other officer of the City duly authorized by the City for that purpose.

Section 1.02. Construction. The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. All references herein to "Sections" and other subdivisions hereof are to the corresponding Sections or subdivisions of this Indenture as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Section or subdivision hereof.

Section 1.03. Equal Security. In consideration of the acceptance of the Series 2008A Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Trustee for the benefit of the Owners from time to time of all Series 2008A Bonds authorized, issued, executed and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of all Series 2008A Bonds which may from time to time be authorized, issued, executed and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Series 2008A Bonds without distinction, preference or priority as to security or otherwise of any

Series 2008A Bonds over any other Series 2008A Bonds by reason of the number thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF SERIES 2008A BONDS; REGISTRATION AND TRANSFER OF SERIES 2008A BONDS

Section 2.01. Authorization and Purpose of Series 2008A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2008A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series 2008A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the Series 2008A Bonds in the form and manner provided herein for the purpose of providing funds to finance the Project, and that the Series 2008A Bonds shall be entitled to the benefit, protection and security of the provisions hereof. The procedure for issuance of the Series 2008A Bonds is set forth in Section 3.02.

Section 2.02. Terms of the Series 2008A Bonds. (a) The Series 2008A Bonds shall be designated "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects)" and shall be in the aggregate principal amount of [Aggregate Principal Amount (\$\_\_\_\_\_)]. The Series 2008A Bonds shall be dated the Closing Date, shall be issued in Authorized Denominations, and shall mature on the Maturity Date. The Series 2008A Bonds shall bear interest at a rate of \_\_\_\_% per annum from their date of issuance through June 1, 2010 (which rate is equal to the Cost of Funds Rate plus a fixed spread of 1.875% basis points for the term ending on June 1, 2010) and an interest rate per annum thereafter through the maturity date of the Series 2008A Bonds equal to the Cost of Funds Rate plus a fixed spread of 2.25% basis points for the eight-year term ending on June 1, 2018 provided that such interest rate shall in no event exceed 12 percent per annum, all subject to the Authority's right of prior redemption. The Series 2008A Bonds may be issued in book-entry form or certificate form.

(b) The principal of and interest on the Series 2008A Bonds shall be payable in lawful money of the United States of America by wire transfer of immediately available funds to the bank account or number within the United States specified by the Owner in writing to the Trustee for that purpose, which, in the case of the Purchaser, shall be the Purchaser Payment Account.

(c) The Series 2008A Bonds shall bear interest at the rates set forth above, payable on the Interest Payment Dates. Interest shall accrue on the Series 2008A Bonds from one Interest Payment Date to, but not including, the next Interest Payment Date; provided, however, that initially such interest shall accrue from the Closing Date to, but not including, the first Interest Payment Date. In no event shall the amount of interest payable under this Indenture or the Bank Bonds exceed the Maximum Interest Rate. In the event any interest required to be paid under the Bank Bonds or hereunder at any time exceeds the Maximum Interest Rate, the portion of such interest required to be paid on a current basis shall equal such Maximum Interest

000635

) Rate; provided, however, that the differential between the amount of interest payable (assuming no Maximum Interest Rate were applicable) and the amount paid on a current basis after giving effect to the Maximum Interest Rate shall be carried forward and shall be payable on any subsequent date of calculation (but in any event, no later than the date of the final maturity of the Series 2008A Bonds when all such amounts shall become due and payable) so as to result in a recovery of interest previously unrealized (because of the limitation dictated by such Maximum Interest Rate) at a rate of interest, and as part of the interest payable, that, after giving effect to the recovery of such excess and all other interest paid and accrued hereunder to the date of calculation, does not exceed such Maximum Interest Rate.

(d) In the event that the Owner of the Series 2008A Bonds shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon the City and the Authority) at any time, that the Owner of the Series 2008A Bonds shall incur increased costs or reductions in the amounts received or receivable in respect of the Series 2008A Bonds because of (x) any change since the Closing Date in any applicable law or governmental rule, regulation, order or request (whether or not having the force of law) (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order or request), such as, for example, but not limited to, (A) a change in the basis of taxation of payments to the Owner of the Series 2008A Bonds of the principal of or interest on the Series 2008A Bonds (except for changes in the rate of tax on, or determined by reference to, the net income or profits of the Owner of the Series 2008A Bonds imposed by the jurisdiction in which its principal office is located) or (B) a change in official reserve requirements, including reserves required under Regulation D, and/or (y) other circumstances affecting the Owner of the Series 2008A Bonds or the interbank U.S dollar market or the position of the Owner of the Series 2008A Bonds in such market, then, and in any such event, the Owner of the Series 2008A Bonds shall promptly give notice (by telephone confirmed in writing) to the City, the Authority and the Trustee of such determination. Thereafter, the Authority shall pay to the Owner of the Series 2008A Bonds, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as the Owner of the Series 2008A Bonds in its sole discretion shall determine) as shall be required to compensate the Owner of the Series 2008A Bonds for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to the Owner of the Series 2008A Bonds, showing the basis for the calculation thereof, submitted to the City by the Owner of the Series 2008A Bonds shall, absent manifest error, be final and conclusive and binding on all the parties hereto).

U If the Owner of the Series 2008A Bonds determines at any time that any applicable law or governmental rule, regulation, order or request (whether or not having the force of law) concerning capital adequacy, or any change in interpretation or administration thereof by any governmental authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by the Owner of the Series 2008A Bonds or any Person controlling the Owner of the Series 2008A Bonds (the "Parent") based on the Owner of the Series 2008A Bonds' ownership of the Series 2008A Bonds, then the Authority shall pay to the Owner of the Series 2008A Bonds, upon its written demand therefor, such additional amounts as shall be required to compensate the Owner of the Series 2008A Bonds or the Parent, as the case may be, for the increased cost to the Owner of the Series 2008A Bonds or the Parent as a result of such increase of capital. In determining such

additional amounts, the Owner of the Series 2008A Bonds will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that the Owner of the Series 2008A Bonds' determination of compensation owing under this paragraph shall, absent manifest error, be final and conclusive and binding on the Authority, the City and the Trustee. The Owner of the Series 2008A Bonds, upon determining that any additional amounts will be payable pursuant to this paragraph, will give prompt written notice thereof to the Authority, the City and the Trustee, which notice shall show the basis for calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Authority's obligation to pay additional amounts.

The Authority shall compensate the Owner of the Series 2008A Bonds, upon its written request (which request shall set forth the basis for requesting such compensation and shall, absent manifest error, be final and conclusive and binding on all the parties hereto), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by the Owner of the Series 2008A Bonds to fund the Series 2008A Bonds) which the Owner of the Series 2008A Bonds may sustain as a consequence of (i) a redemption of the Series 2008A Bonds prior to June 1, 2010 or (ii) (x) any default by the Authority to pay the principal of and interest on the Series 2008A Bonds when due or (y) any action taken pursuant to the second preceding paragraph.

(e) Interest on the Series 2008A Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of 360 days and actual days elapsed.

(f) If the Series 2008A Bonds are issued in book-entry form, the Series 2008A Bonds shall be initially registered in the name of "Cede & Co.," as Nominee of DTC (as defined in Section 2.12 hereof). If the Series 2008A Bonds are issued in certificate form, the Series 2008A Bonds shall be initially registered in the name of the Purchaser and shall not, unless so requested in writing by the Purchaser to the Authority and the Trustee, be book-entry bonds. The Series 2008A Bonds shall be evidenced by a single fully registered bond in the principal amount of the Series 2008A Bonds.

Section 2.03. Redemption of Series 2008A Bonds. (a) The Series 2008A Bonds are subject to redemption prior to their respective maturity dates, in an aggregate principal amount of at least \$1,000,000 and integral multiples of \$50,000 in excess thereof, upon notice as hereinafter provided, on any date, as a whole or in part, from Net Proceeds, as provided in Section 5.08 herein and Sections 6.02 and 8.01 of the Lease, at the principal amount thereof together with accrued and unpaid interest to the date of redemption, without premium but subject to the payment of any amounts due pursuant to Section 2.02(d). The redemption date shall be a date, selected by the City on behalf of the Authority, no later than 20 days after receipt of the Written Request of the City delivered to the Trustee pursuant to Section 5.08(a).

(b) If less than all Outstanding Bonds are to be redeemed at any time pursuant to the provision of paragraph (a) above, the Trustee shall use the net insurance proceeds or condemnation awards attributable to the portion of the Leased Property destroyed, damaged, stolen or taken, to redeem, by lot, as directed in writing by the City, pursuant to the Lease.

Subject to the foregoing, if less than all Outstanding Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee shall select the Series 2008A Bonds date to be redeemed in any manner that it deems appropriate; provided, however, that if the remaining Base Rental Payments will not be reasonably level after such prepayment of Outstanding Bonds, the City shall deliver to the Trustee an Opinion of Counsel that the Lease will continue to be a valid and binding obligation of the City after such redemption.

(c) The Series 2008A Bonds are subject to optional redemption prior to their stated maturity date, on or after June 1, 2010, at the option of the Authority, in whole or in part, on any date, at the principal amount of the Series 2008A Bonds called for redemption, plus accrued but unpaid interest to the redemption date, without premium.

(d) The Series 2008A Bonds are also subject to redemption prior to their stated maturity, in part by lot, from sinking account payments deposited in the Principal Account, on each June 1 commencing on June 1, 2010 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium according to the following schedule:

<u>Year</u> <u>(June 1)</u>	<u>Principal Amount</u>
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018*	

\* Maturity

(e) Notice of redemption shall be mailed by the Trustee, not less than 14 days prior to the redemption date to (i) the respective Owners of the Series 2008A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail; (ii) the Securities Depositories (if the Series 2008A Bonds are issued in book-entry form); and (iii) the Information Services (if the Series 2008A Bonds are issued in book-entry form). Notice of redemption to the Securities Depositories and the Information Services, if any, shall be given by registered mail or by overnight delivery. Each notice of redemption shall state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any), and, if less than all of the Series 2008A Bonds are to be redeemed, the distinctive certificate numbers of the Series 2008A Bonds to be redeemed and, in the case of the Series 2008A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2008A Bonds thereof and in the case of a Series 2008A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed,

together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2008A Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

(f) If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2008A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Series 2008A Bonds shall become due and payable, and from and after the date so designated interest on the Series 2008A Bonds so called for redemption shall cease to accrue, and the Owners of such Series 2008A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(g) Failure by the Trustee to give notice pursuant to this Section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail or otherwise provide notice of redemption pursuant to this Section to any one or more of the respective Owners of any Series 2008A Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

(h) All Series 2008A Bonds redeemed pursuant to the provisions of this Section shall be canceled by the Trustee and shall be delivered to, or upon the order of, the Authority and shall not be reissued.

Section 2.04. Form of Series 2008A Bonds. The Series 2008A Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the forms set forth on Exhibit A hereto.

Section 2.05. Execution of Series 2008A Bonds. (a) The Chairman of the Authority is hereby authorized and directed to execute each of the Series 2008A Bonds on behalf of the Authority and the Vice Chairman of the Authority is hereby authorized and directed to countersign each of the Series 2008A Bonds on behalf of the Authority. The signatures of such Chairman or Vice Chairman may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Series 2008A Bonds shall cease to be such officer before the delivery of the Series 2008A Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Series 2008A Bonds.

(b) Only those Series 2008A Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit A hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2008A Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.06. Transfer and Payment of Series 2008A Bonds. (a) The Series 2008A Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Series 2008A Bonds. The Purchaser has represented that it intends to hold the Series 2008A Bonds for its own investment portfolio through the maturity of the Series 2008A Bonds, and acknowledged that the Series 2008A Bonds are non-negotiable and, except as provided herein, are non-transferable prior to maturity and, except as provided herein, the Purchaser does not have the right prior to maturity to sell or transfer the Series 2008A Bonds, to create any participation interests in the Series 2008A Bonds, to deposit the Series 2008A Bonds into any affiliated investment companies or trusts or to otherwise directly or indirectly transfer or assign any interests in the Series 2008A Bonds. The Purchaser understands that the Series 2008A Bonds will be in certificated form and that the foregoing transfer restrictions referenced in a legend on the Series 2008A Bonds. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity is not permitted. Notwithstanding the foregoing provisions of this Section, the Purchaser may transfer and assign the Series 2008A Bonds to a Qualified Purchaser as long as the Purchaser (i) notifies the Authority and the City in writing of such transfer and assignment; and (ii) causes the Qualified Purchaser to deliver to the Authority and the City an investment representation letter substantially in the form of Exhibit A to that certain Bond Purchase Agreement among the Authority, the City and the Purchaser.

(b) The Authority and the Trustee may deem and treat the Owner of any Series 2008A Bond as the absolute owner of such Series 2008A Bond for the purpose of receiving payment thereof and for all other purposes, whether such Series 2008A Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2008A Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Series 2008A Bond to the extent of the sum or sums so paid.

(c) The Trustee shall not be required to register the transfer of any Series 2008A Bond (i) during the period commencing on the day which is five Business Days before the date on which the Series 2008A Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.07. Exchange of Series 2008A Bonds. (a) Series 2008A Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Series 2008A Bonds of the same series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The cost of printing Series 2008A Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City.

(b) The Trustee shall not be required to register the exchange of any Series 2008A Bond (i) during any period commencing on the day which is five Business Days before the date on which Series 2008A Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.08. Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Series 2008A Bonds which shall at all times be open to inspection by the Authority during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Series 2008A Bonds in such books as hereinabove provided.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Series 2008A Bonds. (a) If any Series 2008A Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Series 2008A Bond of like series, maturity and Authorized Denomination in exchange and substitution for the Series 2008A Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Series 2008A Bond so mutilated. Every mutilated Series 2008A Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the order of, the Authority.

(b) If any Series 2008A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Series 2008A Bond of like series, maturity and Authorized Denomination in lieu of and in substitution for the Series 2008A Bond so lost, destroyed or stolen.

(c) The Trustee may require payment of a reasonable sum for each new Series 2008A Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Series 2008A Bond issued under the provisions of this Section in lieu of any Series 2008A Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Series 2008A Bonds secured by this Indenture. Neither the Authority nor the Trustee shall be required to treat both the original Series 2008A Bond and any replacement Series 2008A Bond as being Outstanding for the purpose of determining the principal amount of Series 2008A Bonds which may be issued hereunder or for the purpose of determining any percentage of Series 2008A Bonds Outstanding hereunder; both the original and replacement Series 2008A Bond shall be treated as one and the same.

Section 2.10. Temporary Series 2008A Bonds. The Series 2008A Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Series 2008A Bonds when ready for delivery. The temporary Series 2008A Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Series 2008A Bond shall be executed and authenticated in accordance with the terms hereof. If the Authority issues temporary Series 2008A Bonds it will execute and furnish definitive Series 2008A Bonds without delay and thereupon the temporary Series 2008A Bonds shall be surrendered, for cancellation, at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Series 2008A Bonds an equal aggregate principal amount of definitive Series 2008A Bonds of Authorized Denominations. Until so exchanged, the temporary Series 2008A Bonds shall be entitled to the same benefits under this Indenture as definitive Series 2008A Bonds delivered hereunder.



Section 2.11. Validity of Series 2008A Bonds. From and after the issuance of the Series 2008A Bonds, the findings and determinations of the Authority respecting the Series 2008A Bonds shall be conclusive evidence of (i) the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Series 2008A Bonds shall be required to see to the existence of any fact, or (ii) to the performance of any condition or to the taking of any proceeding required prior to such issuance, or (iii) to the application of the proceeds of sale of the Series 2008A Bonds. The validity of the issuance of the Series 2008A Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the financing of the Project or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of the acquisition or installation of the Project or upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the Series 2008A Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Series 2008A Bonds shall be incontestable from and after their issuance. The Series 2008A Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Series 2008A Bonds (or any temporary Series 2008A Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 2.12. Special Provisions as to Series 2008A Bonds Issued In Book-Entry Form. The following provisions shall apply only if the Series 2008A Bonds are issued in book-entry form:

(a) Except as otherwise provided in subsections (b) and (c) of this Section 2.12, all of the Series 2008A Bonds initially executed and delivered hereunder shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the principal of and interest on each Series 2008A Bonds registered in the name of Cede & Co. shall be made to the account, in the manner and at the address indicated in or pursuant to the Representation Letter delivered to DTC by the Authority.

(b) The Series 2008A Bonds executed and delivered pursuant to this Section 2.12 shall be in the form of a single authenticated fully registered Series 2008A Bond. The ownership of all such Series 2008A Bonds shall be registered in the registration books maintained by the Trustee pursuant to Section 2.08 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC may request. The Trustee, the Authority and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2008A Bonds registered in its name for the purposes of payment of the principal of and interest on such Series 2008A Bonds, selecting any Series 2008A Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to an Owner under the Indenture, registering the transfer of Series 2008A Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and neither the Trustee, the Authority nor the City shall be affected by any notice to the contrary. Neither the Trustee nor the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.12, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2008A Bonds under or through DTC or any Participant, or any other person which is

not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Series 2008A Bonds; (iii) any notice which is permitted or required to be given to the Owners under the Indenture; (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial prepayment of the Series 2008A Bonds; or (v) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2008A Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2008A Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.12.

(c) In the event that the Authority determines that it is in the best interests of the beneficial owners of the Series 2008A Bonds that they be able to obtain bonds, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of Series 2008A Bonds. In such event, the Series 2008A Bonds will be transferable in accordance with subsection (f) of this Section 2.12. DTC may determine to discontinue providing its services with respect to the Series 2008A Bonds at any time by giving written notice of such discontinuance to the City, the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2008A Bonds will be transferable in accordance with subsection (f) of this Section 2.12. Whenever DTC requests the City, the Authority or the Trustee to do so, the Trustee, the Authority and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all Series 2008A Bonds evidencing the Series 2008A Bonds then Outstanding. In such event, the Series 2008A Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.12, and thereafter, all reference in this Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as all Series 2008A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal and interest represented by each such Series 2008A Bond and all notices with respect to each such Series 2008A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Authority shall execute and deliver the Representation Letter and, in connection with any successor nominee for DTC and any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(f) In the event that any transfer or exchange of Series 2008A Bonds is authorized under subsection (b) or (c) of this Section 2.12, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2008A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07. In the event Series 2008A Bonds are issued to holders other than Cede & Co., its successor as nominee

for DTC as holder of all the Series 2008A Bonds, another securities depository as holder of all the Series 2008A Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.02, 2.03, 2.06 and 2.07 shall also apply to, among other things, the registration, exchange and transfer of the Series 2008A Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2008A Bonds.

Section 2.13. Special Provisions as to Series 2008A Bonds Issued in Certificate Form. Anything in this Indenture to the contrary notwithstanding, the following provisions shall apply to the Series 2008A Bonds issued in certificate form so long as the Purchaser is the sole Owner of the Series 2008A Bonds:

(a) Except as otherwise specifically provided herein, all payments under this Indenture shall be made to the Purchaser not later than 2:00 P.M. (Los Angeles time) on the date when due and shall be made in dollars in immediately available funds at the Purchaser Payment Account. Whenever any payment to be made hereunder or under the Series 2008A Bonds shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of interest, shall be payable at the applicable rate during such extension.

(b) All payments made by the Authority hereunder will be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding, except as provided below, any tax imposed on or measured by the net income of the Purchaser pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office of the Purchaser or the Applicable Lending Office is located) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). As of the Closing Date, the Purchaser is not aware of any Taxes that would apply to its receipt of payments made by the Authority hereunder or under the Series 2008A Bonds. The Authority shall also reimburse the Purchaser, upon the written request of the Purchaser, for taxes imposed on or measured by the net income of the Purchaser pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office or Applicable Lending Office of the Purchaser is located as the Purchaser shall determine are payable by the Purchaser in respect of amounts paid to or on behalf of the Purchaser pursuant to the preceding sentence. If any Taxes are so levied or imposed, the Authority agrees to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due hereunder or under the Series 2008A Bonds, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in the Series 2008A Bonds. The Authority will furnish to the Purchaser within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Authority. The Authority hereby agrees to indemnify and hold harmless the Purchaser, and reimburse the Purchaser upon its written request, for the amount of any Taxes so levied or imposed and paid by the Purchaser.

(c) All transactions relating to the Series 2008A Bonds including, without limitation, prepayments, repayments and interest charges shall be reflected in the books and

records of the Purchaser, which records shall be conclusive and binding upon the Authority absent manifest error. The Purchaser will note on the principal log attached to the Series 2008A Bonds the amount of each principal payment in respect thereof. Failure to make any such notation shall not affect the Authority's obligations in respect of the Series 2008A Bonds.

### ARTICLE III

#### ESTABLISHMENT OF CERTAIN FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 3.01. Establishment of Certain Funds. (a) The City shall establish within the City Auditor and Comptroller's books the following separate funds, which the Office of the Auditor and Comptroller agrees to maintain and keep separate and apart from all other funds and moneys held by the City so long as the Series 2008A Bonds are Outstanding: "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) Construction Fund" (the "Construction Fund") and the "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) Costs of Issuance Fund" (the "Costs of Issuance Fund"). The Trustee shall establish the following special trust fund, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Series 2008A Bonds are Outstanding: the "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects) Payment Fund" (the "Payment Fund").

(b) So long as any of the Series 2008A Bonds, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by this Indenture.

Section 3.02. Procedure for the Issuance of Series 2008A Bonds. The Authority may, at any time, execute the Series 2008A Bonds for issuance hereunder and deliver them to the Trustee, and thereupon the Series 2008A Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof.

Section 3.03. Application of Proceeds and Other Monies. Upon the receipt of payment for the Series 2008A Bonds on the Closing Date, the Trustee shall apply the proceeds of the Series 2008A Bonds and other monies as follows:

(1) the Trustee shall transfer the amount of \$[COSTS OF ISSUANCE DEPOSIT] to the City for deposit in the Costs of Issuance Fund; and

(2) the Trustee shall transfer the amount of \$[CONSTRUCTION FUND DEPOSIT] to the City for deposit in the Construction Fund, for purposes of reimbursement for certain costs of the Project advanced by the City and payment of costs incurred or expenditures made in connection with the Project.

Section 3.04. Costs of Issuance Fund. (a) The Office of the City Treasurer shall hold the moneys in the Costs of Issuance Fund and shall disburse such moneys from time to time

) to pay Costs of Issuance. The Office of the City Treasurer shall disburse moneys in the Costs of Issuance Fund from time to time upon receipt by the Office of the City Treasurer of a Written Request of the City or Authority (in the form as set forth in Exhibit B hereto, signed (i) by the Chair, the Vice-Chair, the Treasurer or the Secretary of the Authority, or (ii) by the Chief Financial Officer of the City or his designee), which may be sent to the Office of the City Treasurer by facsimile, that:

- (1) states with respect to each disbursement to be made:
  - (A) the requisition number,
  - (B) the name and address of the person, firm or corporation to whom payment is due,
  - (C) the amount to be disbursed, and
  - (D) that each obligation therein has been properly incurred, and is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement;
- (2) specifies in reasonable detail the nature of the obligation; and
- (3) is accompanied by a bill or statement of account for each obligation.

(b) The Office of the City Treasurer shall hold the moneys in the Costs of Issuance Fund and disburse such moneys therefrom in accordance with this Section. The Office of the City Treasurer shall, upon a Written Request of the City or Authority, which may be sent to the Office of the City Treasurer by facsimile, wire the funds to be disbursed to or upon the order of the City or the Authority in accordance with instructions contained in such Written Request of the City or the Authority.

(c) Upon the earlier of (i) the date 180 days after the Closing Date, and (ii) the date of receipt of a Certificate of the City stating that all Costs of Issuance have been paid, any amount then remaining in the Costs of Issuance Fund shall be transferred by the Office of the City Treasurer to the Construction Fund until such time as the Certificate of Completion is delivered to the Office of the City Treasurer and any amount remaining thereafter in the Costs of Issuance Fund shall be transferred to the Trustee for deposit in the Interest Account within the Payment Fund; provided, however, that investment earnings or equivalent amount may be transferred to the Trustee for deposit in the Rebate Fund as provided in Section 5.04 hereof.

Section 3.05. Construction Fund. (a) The Office of the City Treasurer shall hold the moneys in the Construction Fund and shall use such moneys therefrom to pay the costs of the Project or, at the election of the City as set forth in a Written Request of the City, transfer such moneys therefrom to the Interest Account to pay interest on the Series 2008A Bonds when and as the same shall become due and payable. Such payments shall be made from time to time upon receipt of a Written Request of the City on behalf of the Authority (in the form as set forth in Exhibit C hereto, signed by the General Services Director and Comptroller or their designees)

which: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation.

(b) If, after payment by the Office of the City Treasurer of all Written Requests of the City on behalf of the Authority and delivery to the Trustee of a Certificate of Completion, there shall remain any balance of money in the Construction Fund, all money so remaining shall be transferred to the Interest Account.

#### ARTICLE IV

#### REVENUES

Section 4.01. Pledge of Revenues. (a) All Revenues and amounts on deposit in the funds, accounts and subaccounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 5.04) are hereby irrevocably pledged to the payment of the interest on and principal and redemption price, if any, of the Series 2008A Bonds as provided herein, and the Revenues shall not be used for any other purpose while any of the Series 2008A Bonds remain Outstanding; provided, however, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by Section 4.03.

(b) The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Section 4.02. Receipt and Deposit of Revenues in the Payment Fund. In order to carry out and effectuate the pledge contained in Section 4.01 hereof, the Trustee agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners and shall be deposited when and as received in the Payment Fund. All Revenues shall be accounted for through and held in trust in the Payment Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Payment Fund. (a) Subject to Section 5.04, all money in the Payment Fund shall be set aside by the Trustee in the following respective special funds within the Payment Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to maintain) in the following order of priority:

- (1) Interest Account;

(2) Principal Account; and

(3) Redemption Account.

(b) All money in each of such funds shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(1) Interest Account. (A) Subject to Section 4.03(b)(5), on or before each Interest Payment Date, the Trustee shall set aside from the Payment Fund and deposit in the Interest Account that amount of money which, together with any money contained in the Interest Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2008A Bonds on such Interest Payment Date.

(B) No deposit need be made in the Interest Account if the amount contained in the Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Series 2008A Bonds on such Interest Payment Date.

(C) All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2008A Bonds as it shall become due and payable (including accrued interest on any Series 2008A Bonds purchased or redeemed prior to maturity).

(2) Principal Account. (A) On or before each Principal Payment Date, the Trustee shall set aside from the Payment Fund and deposit in the Principal Account an amount of money equal to the aggregate principal amount of all Outstanding Series 2008A Bonds maturing on such date. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Series 2008A Bonds maturing by their terms.

(B) All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2008A Bonds as they shall become due and payable.

(4) Redemption Account. In addition to the above accounts, the Trustee shall establish and maintain within the Payment Fund, when required, a special account designated the "Redemption Account." All money in the Redemption Account shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in this section. Any Net Proceeds which, in accordance with a Written Request of the City or the Authority delivered to the Trustee pursuant to Section 5.08 and all other amounts received by the Trustee in connection with the redemption of the Series 2008A Bonds pursuant to Section 2.03 (except for any amounts for sinking fund redemptions pursuant to Section 2.03(d)) are to be used to redeem Series 2008A Bonds shall be deposited by the Trustee in the Redemption Account. The Trustee shall, on the scheduled redemption date, withdraw from the Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Series 2008A Bonds to be redeemed on such date.

(5) Delinquent Base Rental Payments. Any delinquent Base Rental Payments and any proceeds of rental interruption insurance with respect to the real property encumbered by the Lease shall be applied first to the Interest Account for the immediate payment of interest payments past due and then to the Principal Account for immediate payment of principal payments past due according to the tenor of any Series 2008A Bond. Any remaining money representing delinquent Base Rental Payments shall be deposited in the Payment Fund to be applied in the manner provided herein.

Section 4.04. Investment of Monies in Funds and Accounts. Moneys in the Payment Fund, the Costs of Issuance Fund and any funds and accounts and subaccounts therein shall, upon the Written Request of the City or the Authority at least two Business Days before the investment, be invested by the Trustee in Permitted Investments. In the absence of a Written Request of the City or the Authority, the Trustee may invest moneys in such funds and accounts in Permitted Investments described in subparagraph (viii) of the definition of Permitted Investments. The obligations in which moneys in the said funds, accounts and subaccounts are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. Any interest, income or profits from the deposits or investments of all funds, accounts and subaccounts hereunder (except the Rebate Fund) shall be deposited (i) prior to the delivery to the Trustee of the Certificate of Completion, to the Construction Fund or, at the election of the City as set forth in a Written Request of the City, to the Interest Account, to pay interest on the Series 2008A Bonds when and as the same shall become due and payable; and (ii) thereafter to the Interest Account. For purposes of determining the amount of deposit in any fund, account or subaccount held hereunder, all Permitted Investments credited to such fund or account shall be valued, on or about December 1 during each year that Series 2008A Bonds are Outstanding, at the cost thereof (adjusting for any amortized premium or discount to maturity). Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund, account or subaccount and all investment profits or losses thereon shall be deemed at all times to be a part of said fund, account or subaccount. The Trustee shall maintain records with respect to each investment, including: (i) purchase date; (ii) purchase price; (iii) any accrued interest paid; (iv) face amount; (v) coupon rate; (vi) maturity date; (vii) periodicity of interest payments; (viii) disposition price; (ix) any accrued interest received; and (x) disposition date. The Trustee will furnish the Authority and the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee may act as agent in the acquisition or disposition of investments, and to the extent permitted under the Tax Certificate may commingle the funds, accounts and subaccounts established hereunder for investment purposes. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Article IV.

## ARTICLE V

### COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Punctual Payment and Performance. The Authority will punctually pay the interest and the principal amounts to become due on every Series 2008A Bond issued hereunder in strict conformity with the terms hereof and of the Series 2008A Bonds, and will



faithfully observe and perform all the agreements and covenants contained herein and in the Series 2008A Bonds. So long as the Purchaser is the sole Owner of the Series 2008A Bonds, the Authority will as soon as practicable but in any event not more than three Business Days after an Authorized Representative of the Authority shall have obtained knowledge of a breach of the terms of the Lease by the City, provide to the Purchaser a written statement of an Authorized Representative setting forth the details of each such breach and, to the extent the Authority has made any determination with respect thereto, the action which the Authority proposes to take with respect thereto.

Section 5.02. Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any Series 2008A Bonds, bonds or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Series 2008A Bonds.

Section 5.03. Against Sale or Disposition of the Leased Property. Except as provided in the Lease, the Authority will not sell or otherwise dispose of the Leased Property, enter into any agreement which impairs the use of the Leased Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of the Series 2008A Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Section 5.04. Tax Covenants; Rebate Fund. (a) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the City or the Authority to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the City or the Authority. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and none of the City, the Authority, the Trustee or the Owner of any Series 2008A Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 5.04 and the Tax Certificate if it follows the Written Request of the City or the Authority, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the City or the Authority, and shall have no liability or responsibility to enforce compliance by the City or the Authority with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the City or the Authority given pursuant to the Tax Certificate.

(b) Upon a Written Request of the City or the Authority, an amount shall be deposited into the Rebate Fund by the Trustee from deposits by the City on behalf of the Authority, if and to the extent required, so that the balance of the amount on deposit thereto shall

be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the City and the Authority in accordance with the Tax Certificate.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the City or the Authority.

(d) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as described in subparagraphs (i) and (viii) of the definition of Permitted Securities as directed by a Written Request of the City or the Authority. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) Upon receipt of a Written Request of the City or the Authority, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the City or the Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or fund as directed by the Written Request of the City or the Authority. Any funds remaining in the Rebate Fund in excess of the Rebate Requirement as of the end of any Series 2008A Bond Year shall be transferred to the Interest Account of the Payment Fund.

(f) Notwithstanding any other provision hereof, including, in particular, Article IV, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the Series 2008A Bonds.

(g) The Authority shall not use or permit the use of any proceeds of the Series 2008A Bonds and any Additional Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause the Series 2008A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or obligations subject to federal income taxation because they are "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Series 2008A Bonds.

(h) The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(i) The Authority shall not use or permit the use of any proceeds of the Series 2008A Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Series 2008A Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(j) Notwithstanding any provisions of this Section 5.04, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this Section 6.04 is no longer required or that some further or different action is required to

) maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Series 2008A Bonds, the Trustee, the Authority and the City may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article VII hereof, the covenants hereunder shall be deemed to be modified to that extent.

Section 5.05. Payment of Claims. The City, on behalf of the Authority, will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Leased Property or the Revenues or any part thereof or upon any funds under the control of the Authority, the City Treasurer or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Series 2008A Bonds, or which might impair the security of the Series 2008A Bonds.

Section 5.06. Payment of Taxes and Compliance with Governmental Regulations. The City, on behalf of the Authority, will pay and discharge or cause to be paid and discharged all applicable taxes, assessments and other governmental charges that may be levied, assessed or charged upon the Leased Property or any part thereof or upon the Revenues or any part thereof promptly as and when the same shall become due and payable. The City, on behalf of the Authority, will duly observe and conform with all valid applicable regulations and requirements of any governmental authority relative to the use of the Leased Property or any part thereof, but the Authority shall not be required to comply with any such regulations or requirements so long as the application or the validity thereof shall be contested in good faith.

Section 5.07. Insurance. The City, on behalf of the Authority, will maintain or cause to be maintained insurance with respect to the Leased Property as required by the Lease.

Section 5.08. Insurance Proceeds and Condemnation Awards; Title Insurance.  
 (a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to Section 7.03(a)(1) of the Lease and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and shall apply the proceeds of such insurance as provided in Section 8.01 of the Lease. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the City, stating that the City or the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City. Delivery to the Trustee of the schedule of insurance policies under the Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the City deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the City to the Trustee pursuant to Section 7.03 of the Lease.

(c) Proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property shall be applied and disbursed by the Trustee as follows:

(1) If the City determines that the title defect or taking giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Base Rental Payments by the City under the Lease, such proceeds shall at the election of the City as set forth in a Written Request of the City, be deposited in the Redemption Account and such proceeds shall be applied to cause the redemption of Outstanding Series 2008A Bonds in the manner provided in Section 2.03(a) or utilized to improve or enhance the remaining Leased Property; or

(2) If any portion of the Leased Property has been affected by such title defect or taking, and if the City determines that such title defect or taking will result in an abatement of Base Rental Payments payable by the City under the Lease, then the Trustee shall immediately deposit such proceeds in the Redemption Account and such proceeds shall be applied to cause the redemption of Outstanding Series 2008A Bonds in the manner provided in Section 2.03(a).

Section 5.09. Accounting Records. The City, on behalf of the Authority, will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. Upon request of the Trustee and when available, the City, on behalf of the Authority, shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year, and including a profit and loss statement and balance sheet. The City, on behalf of the Authority, shall also keep or cause to be kept such other information as is required under the Tax Certificate.

Section 5.10. Lease and Other Documents. The Authority will at all times maintain and vigorously enforce all of its rights under the Lease, and will promptly collect all rents and charges due for the use of the Leased Property as the same become due under the Lease, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due under the Lease. The Authority will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the respective lessees thereunder.

Section 5.11. Other Liens. The City, on behalf of the Authority, will keep the Leased Property free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction and installation of the Leased Property and except Permitted Encumbrances) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Series 2008A Bonds provided herein will at all times be maintained and preserved free from any claim or liability which might hamper the Authority in conducting its business or interfere with the City's use and occupancy of the Leased

Property, and the Trustee at its option (after first giving the Authority ten days' written notice to comply therewith and failure of the Authority to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants.

Section 5.12. Prosecution and Defense of Suits. (a) The City, on behalf of the Authority, will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

(b) The City, on behalf of the Authority, will defend against every suit, action or proceeding except those arising out of the wrongful, willful act or actions of the Trustee at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; provided, however, that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 5.13. Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

## ARTICLE VI

### THE TRUSTEE

Section 6.01. Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Authority agrees and the respective owners of the Series 2008A Bonds, by their purchase and acceptance thereof, agree.

Section 6.02. Duties, Immunities and Liabilities of Trustee. (a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and

skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Authority may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Series 2008A Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Series 2008A Bond register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the Series 2008A Bond register.

(e) Any Trustee appointed under the provisions of this Section shall be a trust company corporation or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City or any other party of any funds which the Trustee has released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected and supervised by it with reasonable care.

Section 6.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business provided such company shall be eligible under subsection (e), of Section 6.02 shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Trustee shall promptly notify the City and the Authority of the occurrence of any such merger, conversion, consolidation, sale or transfer.

Section 6.04. Compensation. (a) The City, on behalf of the Authority, shall pay the Trustee, or cause the Trustee to be paid, compensation for its services rendered hereunder, and shall reimburse the Trustee for reasonable expenses, including attorney's fees, incurred by the Trustee in the performance of its obligations hereunder in accordance with the Trustee Fee Schedule attached hereto as Exhibit D.

(b) The Authority agrees, to the extent permitted by law and provided the Trustee has exercised reasonable care in the selection and supervision of its employees, attorneys and agents, to indemnify the Trustee and its respective officers, directors, members, employees,

attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such compensation and indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Section 6.05. Liability of Trustee. (a) The recitals of facts herein and in the Series 2008A Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Site Lease, the Lease or of the Series 2008A Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Series 2008A Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2008A Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Series 2008A Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Series 2008A Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2008A Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Lease unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 5.09 and may rely conclusively on the certificates provided hereunder to establish the compliance with financial covenants hereunder.



(f) All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Series 2008A Bonds.

(h) Before taking any action under Article VIII hereof or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Section 6.06. Right to Rely on Documents. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel, but need not, of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

## ARTICLE VII

### AMENDMENT OF THE INDENTURE

Section 7.01. Amendment of the Indenture. (a) The Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the Series 2008A Bonds then Outstanding, exclusive of Series 2008A Bonds disqualified as provided in Section 7.02, are filed with the Trustee. No such amendment shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of any Series 2008A

Bond at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Series 2008A Bond; (ii) permit the creation by the Authority of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Series 2008A Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) The Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes:

(1) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith and which shall not materially adversely affect the interests of the Owners; or

(2) to make any other change or addition hereto which shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the Authority.

Section 7.02. Disqualified Series 2008A Bonds. Series 2008A Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2008A Bonds provided in this Article VII, and shall not be entitled to consent to or take any other action provided in this Article VII, provided, however, that the Trustee shall not be deemed to have knowledge that any Series 2008A Bond is owned or held by or for the account of the Authority or the City unless the Authority or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is the Owner or is holding for the account of the Authority or City.

Section 7.03. Endorsement or Replacement of Series 2008A Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Series 2008A Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Series 2008A Bond and presentation of his Series 2008A Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Series 2008A Bond. If the Authority shall so determine, new Series 2008A Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Series 2008A Bond such new Series 2008A Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Series 2008A Bonds then Outstanding upon surrender of such Outstanding Series 2008A Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular

) Series 2008A Bonds owned by him, provided that due notation thereof is made on such Series 2008A Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 8.01. Events of Default. Any one or more of the following events shall be called an "Event of Default" under this Indenture:

- (a) default shall be made in the due and punctual payment of the interest on any Series 2008A Bond when and as the same shall become due and payable;
- (b) default shall be made in the due and punctual payment of the principal of any Series 2008A Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) default shall be made by the Authority in the performance of any of the other agreements or covenants required herein to be performed by the Authority, and such default shall have continued for a period of 60 days after the Authority shall have been given notice in writing of such default by the Trustee; or
- (d) the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; or
- (e) an "event of default" shall have occurred under the Lease.

Section 8.02. Proceedings by Trustee. (a) Subject to Section 8.10 herein, upon the happening and continuance of any Event of Default the Trustee in its discretion may, and at the written request of the Owners of not less than a majority in aggregate principal amount of Series 2008A Bonds Outstanding shall, do the following:

- (1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of Series 2008A Bonds, including the right to require the Authority to receive and collect Revenues and to enforce its rights under the Lease and to require the Authority to carry out any other covenant or agreement with Owners of Series 2008A Bonds and to perform its duties hereunder;
- (2) bring suit upon the Series 2008A Bonds;

(3) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(4) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(b) Notwithstanding the foregoing, neither this Indenture nor the Series 2008A Bonds provide for the remedy of acceleration of principal or interest due with respect to the Series 2008A Bonds prior to their stated due dates.

Section 8.03. Effect of Discontinuance of Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 8.04. Rights of Owners. (a) Anything in this Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in Sections 8.02 above and 8.05 and 8.10 below, upon the happening and continuance of any Event of Default, the Owners of not less than a majority in aggregate principal amount of the Series 2008A Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

(b) The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Section 8.05. Restriction on Owners' Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article VIII, no Owner of any of the Series 2008A Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Series 2008A Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than a majority in aggregate principal amount of the Series 2008A Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be

conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture; it being understood and intended that no one or more Owners of the Series 2008A Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Series 2008A Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Series 2008A Bonds; subject, however, to the provisions of this Section.

Section 8.06. Power of Trustee to Enforce. All rights of action under this Indenture or under any of the Series 2008A Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Series 2008A Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Series 2008A Bonds subject to the provisions of this Indenture.

Section 8.07. Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Series 2008A Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 8.08. Waiver of Events of Default; Effect of Waiver. (a) The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration, upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Series 2008A Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding Series 2008A Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

(b) No delay or omission of the Trustee or of any Owner of the Series 2008A Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to the Owners of the Series 2008A Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 8.09. Application of Moneys. (a) Any moneys received by the Trustee pursuant to this Article VIII, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Series 2008A Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(1) unless the principal of all of the Outstanding Series 2008A Bonds shall be due and payable,

FIRST: to the payment of the persons entitled thereto of all installments of interest then due on the Series 2008A Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND: to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Series 2008A Bonds which shall have become due (other than Series 2008A Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture) and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, due on such Series 2008A Bonds, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the Series 2008A Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

(2) if the principal of all of the Outstanding Series 2008A Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Series 2008A Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Series 2008A Bond over any other Outstanding Series 2008A Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Series 2008A Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 8.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

## ARTICLE IX

## DEFEASANCE

Section 9.01. Discharge of Series 2008A Bonds. (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Series 2008A Bonds the interest thereon and the principal thereof at the times and in the manner stipulated herein and therein, then the Owners of such Series 2008A Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Owners of such Series 2008A Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of such Series 2008A Bonds.

(b) Subject to the provisions of Section 9.01(a), when any of the Series 2008A Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all the covenants and promises in such Series 2008A Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Series 2008A Bonds and such Series 2008A Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Authority hereunder shall cease, terminate, become void and be completely discharged as to such Series 2008A Bonds.

(c) Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Series 2008A Bonds, those provisions of this Indenture relating to the maturity of the Series 2008A Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Series 2008A Bonds, replacement of mutilated, destroyed, lost or stolen Series 2008A Bonds, the safekeeping and cancellation of Series 2008A Bonds, nonpresentment of Series 2008A Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Series 2008A Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest on the Series 2008A Bonds, to pay to the Owners of Series 2008A Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Series 2008A Bonds, those provisions of this Indenture contained in Section 5.04 relating to the tax-exempt status of interest on the Series 2008A Bonds and Section 6.04 relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

(d) Any Outstanding Series 2008A Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsections (a), (b) and (c) of this Section 9.01 if (i) in case any of such Series 2008A Bonds are to be redeemed on any date prior to their maturity date, the Authority shall

have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 2.03 of this Indenture, notice of redemption of such Series 2008A Bonds on said redemption date, said notice to be given in accordance with Section 2.03 of this Indenture; (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent Certified Public Accountant, be sufficient to pay when due the interest to become due on such Series 2008A Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of such Series 2008A Bonds; and (B) in the event such Series 2008A Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Series 2008A Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Series 2008A Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of such Series 2008A Bonds. Defeasance Securities deposited with the Trustee may be replaced with other Defeasance Securities and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the City.

Section 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding and subject to applicable law, any money held by the Trustee in trust for the payment and discharge of any of the Series 2008A Bonds which remains unclaimed for two years after the date when such Series 2008A Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Series 2008A Bonds.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Liability of Authority Limited to Revenues. (a) Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source of income other than the Revenues (other than the Rebate Fund) established under this Indenture as provided herein for the payment of the interest on or principal of the Series 2008A Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness.

(b) The Series 2008A Bonds shall be limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts



established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 5.04). The Series 2008A Bonds do not constitute a debt or liability of the City or of the State of California and neither the faith and credit of the City nor of the State are pledged to the payment of the principal of or interest on the Series 2008A Bonds.

Section 10.02. Benefits of the Indenture Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Authority, the Trustee and the Owners of the Series 2008A Bonds.

Section 10.03. Successor Is Deemed Included In All References to Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Execution of Documents by Owners. (a) Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Series 2008A Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Series 2008A Bonds at the office of the Trustee.

(b) Any declaration, request or other instrument or writing of the Owner of any Series 2008A Bond shall bind all future Owners of such Series 2008A Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

Section 10.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Series 2008A Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.06. Acquisition of Series 2008A Bonds by Authority. All Series 2008A Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 10.07. Destruction of Canceled Series 2008A Bonds. Whenever provision is made for the return to the Authority of any Series 2008A Bonds which have been canceled pursuant to the provisions hereof, the Trustee shall destroy such Series 2008A Bonds and furnish to the Authority a certificate of such destruction.

Section 10.08. Reliance on Opinions. Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 10.09. Funds, Accounts and Subaccounts. Any fund, account or subaccount required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account, subaccount or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account, subaccount or a fund; but all such records with respect to all such accounts, subaccounts and funds shall at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the Series 2008A Bonds and the rights of the Owners.

Section 10.10. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Series 2008A Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series 2008A Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 10.13. Law Governing. This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 10.14. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first class mail, postage prepaid, and, if to the Trustee, addressed to Wells Fargo Bank, National Association, 707 Wilshire Boulevard, Los Angeles, CA 90017, Attention: Account Administrator, or if to the City, addressed to the City of San Diego, Department of Finance, 202 C Street, San Diego, California 92101, Attention: Chief Financial Officer, or if to the Authority, addressed to Public Facilities Financing Authority of the City of San Diego, c/o City of San Diego, Department of Finance, 202 C Street, San Diego, California 92101, Attention: Chief Financial Officer, with a copy to the Trustee, or to such other addresses as the respective parties may from time to time designate by notice in writing.

000668

IN WITNESS WHEREOF, the Public Facilities Financing Authority of the City of San Diego has caused this Indenture to be signed in its name by its Chair and attested by its Secretary and, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed by its duly authorized officers, all as of the day and year first above written.

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

By \_\_\_\_\_  
Chair

ATTEST:

By \_\_\_\_\_  
Secretary

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Officer

000669

**EXHIBIT A**

**FORM OF SERIES 2008A BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

THIS SERIES 2008A BOND IS SUBJECT TO TRANSFER RESTRICTIONS. REFERENCE IS MADE TO SECTION 2.06 OF THE HEREIN DEFINED INDENTURE FOR THE RESTRICTIONS APPLICABLE TO TRANSFER OF THIS SERIES 2008A BOND.

IF THIS SERIES 2008A BOND IS ISSUED IN BOOK-ENTRY FORM ONLY, THEN UNLESS THIS SERIES 2008A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SERIES 2008A BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE BONDS, SERIES 2008A  
(VARIOUS CAPITAL IMPROVEMENT PROJECTS)**

NEITHER THIS SERIES 2008A BOND NOR THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF SAN DIEGO OR STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY OF SAN DIEGO NOR THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THIS SERIES 2008A BOND. THE AUTHORITY HAS NO TAXING POWER.

**Interest  
Rate  
\_\_\_\_%**

**Maturity  
Date**

**Dated  
Date**

**CUSIP**

**REGISTERED OWNER:**

**PRINCIPAL SUM:** \_\_\_\_\_ **DOLLARS**

The Public Facilities Financing Authority of the City of San Diego, a joint powers agency created by the City of San Diego (the "City") and the Redevelopment Agency of the City of San Diego (the "Agency") pursuant to California Government Code Sections 6500 et seq. (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon. Interest shall accrue on the Series 2008A Bonds from one Interest Payment Date to, but not including, the next Interest Payment Date; provided, however, that initially such interest shall accrue from the Closing Date to, but not including, the first Interest Payment Date.

The principal of this Series 2008A Bond shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee in Minneapolis, Minnesota upon presentation and surrender of this Series 2008A Bond or such other place as designated by the Trustee or specified in the Indenture.

If this Series 2008 Bond is issued in book-entry form, payment of interest on this Series 2008A Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Series 2008A Bond is registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at its corporate trust office, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books as the Record Date; provided that upon the written request of an Owner by \$1,000,000 or more in aggregate principal amount of the Series 2008A Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. The foregoing notwithstanding, if this Series 2008A Bond is issued in certificate form and so long as the Purchaser (as defined in the Indenture) is the sole Owner of the Series 2008A Bonds, all payments with respect to this Series 2008A Bond will be made as provided for under Section 2.13 of the Indenture. Interest on this Series 2008A Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of 360 days and actual days elapsed.

This Series 2008A Bond is one of a duly authorized issue of bonds of the Authority designated as its "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects)" (the "Series 2008A Bonds") in the aggregate principal amount of [Principal Amount (\$\_\_\_\_\_)], all of like tenor, maturity, interest rate and date, and is issued under and pursuant to the provisions of an Indenture, dated as of June 1, 2008 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee") (copies of which are on file at the office of the Secretary of the Authority and at the corporate trust office of the Trustee).

The Series 2008A Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from base rental payments paid by the City for the use and occupancy of the Lease Property (as defined in the Indenture) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture (other than amounts on deposit in the Rebate Fund), all as set forth in the Indenture ("Revenues"). All the

Series 2008A Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on and principal of the Series 2008A Bonds as provided in the Indenture.

The Series 2008A Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2008A Bonds. The Authority has no taxing power.

Reference is hereby made to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms under which the Series 2008A Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Series 2008A Bonds. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Series 2008A Bond, to all the provisions of which the registered owner of this Series 2008A Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Authority has agreed and covenanted that, for the payment of the interest on and the principal of this Series 2008A Bond and all other Series 2008A Bonds of this issue authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture) shall be deposited, and the Authority has allocated such Revenues solely to the payment of the interest on and principal of the Series 2008A Bonds, and the Authority will pay promptly when due the interest on and the principal of this Series 2008A Bond and all other Series 2008A Bonds of this issue authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

The Series 2008A Bonds are subject to redemption as provided in the Indenture.

Reference is made to the Indenture for the transfer provisions and restrictions applicable to the Series 2008A Bonds.

The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Series 2008A Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Series 2008A Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series 2008A Bond to the extent of the sum or sums so paid.

The rights and obligations of the Authority and of the registered owners of the Series 2008A Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of this

Series 2008A Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Authority to pay the interest hereon or principal hereof at the time and place and at the rate and in the currency provided herein without the express written consent of the registered owner of this Series 2008A Bond, (2) permit the creation by the Authority of any pledge of the Revenues superior to or on a parity with the pledge created by the Indenture for the benefit of the Series 2008A Bonds, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, all as more fully set forth in the Indenture.

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all Outstanding Series 2008A Bonds the interest thereon and the principal thereof at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Series 2008A Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the registered owners of such Series 2008A Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Series 2008A Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

It is hereby certified that all acts and proceedings required by law necessary to make this Series 2008A Bond, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Authority have been done and taken, and have been in all respects duly authorized.



000673

IN WITNESS WHEREOF, the Public Facilities Financing Authority of the City of San Diego has caused this Series 2008A Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, and has caused this Series 2008A Bond to be dated the Dated Date hereof.

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

By \_\_\_\_\_  
Chair

ATTEST:

By \_\_\_\_\_  
Secretary

**FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION**

This is one of the Series 2008A Bonds described in the within mentioned Indenture which has been authenticated and registered on the Dated Date hereof.

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Officer

000674

### ASSIGNMENT OF THE SERIES 2008A BONDS

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_, whose tax identification number is \_\_\_\_\_, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the Series 2008A Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: The signature must be guaranteed by an eligible guarantor institution.

**EXHIBIT B****FORM OF COSTS OF ISSUANCE FUND REQUISITION**

To: City of San Diego  
Office of the City Treasurer  
1200 Third Avenue, Suite 1624  
MS 51V  
San Diego, CA 92101  
Attn: Investment Officer

Re: Public Facilities Financing Authority of the City of San Diego  
Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects)  
Costs of Issuance Fund

Requisition No. \_\_\_\_\_

The undersigned, on behalf of [The City of San Diego] [the Public Facilities Financing Authority of The City of San Diego (the "Authority")], hereby requests payment, from the Costs of Issuance Fund identified above for the Project identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for costs incurred or expenditures made in connection with the issuance of the Series 2008A Bonds identified above, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
[name and address]		\$
	Total	\$

The undersigned hereby certify that each obligation mentioned herein has been properly incurred, is a proper charge against the Costs of Issuance Fund and has not been the basis of any previous disbursement from the Costs of Issuance Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: \_\_\_\_\_, \_\_\_\_\_

THE CITY OF SAN DIEGO

By: \_\_\_\_\_  
Authorized Officer

By: \_\_\_\_\_  
Comptroller [or his designee]

## EXHIBIT C

## FORM OF CONSTRUCTION FUND REQUISITION

To: City of San Diego  
Office of the City Treasurer  
1200 Third Avenue, Suite 1624  
MS 51V  
San Diego, CA 92101  
Attn: Investment Officer

Re: Public Facilities Financing Authority of the City of San Diego  
Lease Revenue Bonds, Series 2008A (Various Capital Improvement Projects)

Requisition No. \_\_\_\_\_

The undersigned, on behalf of The [City of San Diego] [Public Facilities Financing Authority of The City of San Diego (the "Authority")], hereby requests payment, from the Construction Fund identified above for the Project identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for costs incurred or expenditures made in connection with the Project, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
[name and address]		\$
	Total	\$

The undersigned hereby certify that each obligation mentioned herein has been properly incurred, is a proper charge against the Construction Fund and has not been the basis of any previous disbursement from the Construction Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: \_\_\_\_\_, \_\_\_\_\_

THE CITY OF SAN DIEGO

By: \_\_\_\_\_  
General Services Director [or his designee]

By: \_\_\_\_\_  
Comptroller [or his designee]

## EXHIBIT D

**PUBLIC FACILITY FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE BONDS, SERIES 2008A  
(VARIOUS CAPITAL IMPROVEMENT PROJECTS)**

**TRUSTEE FEE SCHEDULE**

<b>Firm Information</b>	<b>Legal Counsel</b>
Firm Name and Address: <b>Wells Fargo Bank, N.A. 707 Wilshire Blvd – 17<sup>th</sup> Floor Los Angeles, CA 90017</b>	Firm Name and Address: <b>Wells Fargo Bank, N.A. 299 S. Main Street, 10<sup>th</sup> Floor Salt Lake City, UT 84111</b>
Contact Person (Name and Title): <b>Stuart Weiss Vice President</b>	Contact Person (Name and Title): <b>David Blackner, Esq. Internal Counsel</b>
Telephone Number: <b>213.614.3356</b>	Telephone Number: <b>801.246.5859</b>
Fax Number: <b>213.614.3355</b>	Fax Number: <b>801.246.5230</b>
E-Mail:	E-Mail: <b><u>David.Blackner@wellsfargo.com</u></b>

<b>Upfront Fees</b>	<b>Annual Fees*</b>
Acceptance Fee: <b>\$1,500.00</b>	Administrative Fee: <b>\$1,750.00</b> If fixed rate issue <b>\$2,000.00</b> If variable rate issue
Registration Fee: <b>Not Applicable</b>	Transaction Costs (please detail): <b>Included</b>
Legal Counsel (not-to-exceed): <b>\$300.00</b>	Other Fees (if any): <u>INVESTMENT AGREEMENT</u> ***If applicable, there will be an Annual Fee of \$500.00 for the set-up, review and maintenance of any STANDARD investment agreement or similar instrument. The investment activities included in this fee assume there will be no more than one (1) draw on the instrument per month. Fees for NON-STANDARD agreements such as repurchase/swap/hedge agreements or for investment funds held outside the bank (such as CAMP or LAIF) charges will be negotiated separately. <u>FORWARD DELIVERY AGREEMENT</u> Should a Forward Delivery Agreement be used in connection with this financing, a minimum Annual charge of \$1,000 will be assessed
Out of Pocket Expenses (not-to-exceed): <b>At cost and upon direction</b>	Estimated Total Annual Fees: <b>\$1,750.00</b> If fixed rate issue <b>\$2,000.00</b> If variable rate issue
Estimated Total Up-Front Fees: <b>\$1,800.00</b>	*Note: The City requires that all ongoing fees be set at a not-to-exceed price for the life of the issue.

**BANK OF AMERICA – COMMUNITY REINVESTMENT ACTIVITY**

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Bank of America, N.A. is the proposed purchaser of the 2008A Lease Revenue Bonds. Attachment 1 is the information provided by the bank of its community reinvestment activity in its response to the City's request for proposals. A summary of the bank's community reinvestment activities within its assessment areas are provided.

*Per the CRA Regulation: "The Community Reinvestment Act, enacted in 1977, is intended to encourage depository institutions to help meet the credit needs of the communities (or assessment areas) in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations. An "Assessment Area" includes the geographies (or census tracts) where the institution has its main office, retail branches, and/or deposit-taking ATMs, as well as the surrounding geographies in which the institution originated or purchased a substantial portion of its loans."*

According to Bank of America, N.A. the bank has a commitment to the goals of the CRA, and to community service as reflected in an outstanding compliance ranking with the Community Reinvestment Act (CRA). This rating was determined by the Office of the Comptroller of the Currency (OCC) in 2003 based upon their analysis of the Bank's performance in 2000 and 2001. The next report will be available in 2008 and will cover the evaluation period of January 1, 2005 to December 31, 2006. Exhibit A of the information provided by the bank is an excerpt pertaining to the bank's CRA rating. Also included is a chart that reflects the bank's community reinvestment from 1993 to 2005 (Exhibit B). In addition, Exhibit C provides the bank's Home Mortgage Disclosure Act (HMDA) performance in 2006.

Attachment 2 is the "2005 Reinvestment Volume in San Diego County" by the San Diego Community Reinvestment Task Force, which includes a comparison of Bank of America's 2005 CRA activity in relation to other lending institutions.

**Attachments:**

1. CRA summary from the Bank of America, N.A. proposal received in response to the City's Request for Proposals.
2. 2005 Reinvestment Volume in San Diego - San Diego Community Reinvestment Task Force.



000680

Attachment 1

**Community Reinvestment Act Rating.** The most recent CRA rating for Bank of America is "Outstanding". This rating was determined by the Office of the Comptroller of the Currency in 2003 based upon their analysis of the Bank's performance in 2000 and 2001. The rating for our performance in California and the City of San Diego was consistent with the Bank's overall national rating. The next report will be available in 2008 and will cover the evaluation period of January 1, 2005 to December 31, 2006. Enclosed in this proposal is an excerpt of the relevant pages pertaining to our CRA rating (see Exhibit A of this Appendix).

Also enclosed is a chart that reflects Bank of America's Community Reinvestment from 1993 to 2005 (see Exhibit B of this Appendix). In addition, Exhibit C of this Appendix details the Bank's HDMA performance in 2006.

**Community Development.** In 2006, Bank of America's loans and investments toward community development totaled \$94.87 billion. This constitutes the largest sum ever contributed by a bank towards community development in one year. Another important milestone is that in two years, the Bank has loaned and invested over \$173.8 towards its 10-year, \$750 billion goal for community development, which was announced in 2005.

**Community Development in San Diego.** In San Diego, Bank of America has loaned and invested \$3.1 billion in community development over the last two years, comprising:

- \$1.4 B in Affordable Housing
- \$548 MM in Small Business Development
- \$898 MM in Consumer Lending
- \$250 MM Other Loans and Investments

How does the Bank contribute? We work closely with individuals and organizations throughout San Diego to identify and prioritize issues that we can address in order to build vibrant, healthy and caring communities, create economic opportunity, and improve people's lives. In addition to the aforementioned community development areas, the Bank also focuses on:

- Education with emphasis on:
  - Financial Education
  - K-12 Educational Programs
- Health and Human Services with emphasis on:
  - Affordable Family Support Services
  - Essential services vis a vis United Way and March of Dimes.

**Current CRA Projects in San Diego.** The Community Development Bank's Tax Credit Group recently closed the Liberty Station Marketplace retail project. The Bank provided \$40 million of Debt (New Markets and Conventional) and \$6 million of New Markets Equity on a 167,000 square foot retail project totaling \$54.3 million in development costs. This development is expected to generate 250 jobs during construction and 330 permanent jobs at completion. Trader Joe's and Vons are two anchor grocery tenants who will fill the void in the Point Loma area of San Diego. Liberty Station marketplace will serve as the retail heart of the redevelopment of the former Naval Training Center.

Bank of America is the construction lender for Gateway I Family Apartments. This development consists of 42 apartment units for families earning between 30 - 60% of the area medium income. The rents will range between 25 to 66% below market. This project will provide much needed affordable housing in the Barrio Logan community.

In Fall 2007, the Bank opened a new Banking Center in the Southcrest area of the City. This Center will provide full banking services and have a Community Resources Center ("CRC"). The CRC will provide community outreach and financial education opportunities that meet the cultural and customer needs of this community. It will include a product information booth and a multipurpose room for bank-sponsored or community seminars, classes and meetings. In addition, a new Banking Center was opened in the downtown Gaslamp District (at 4<sup>th</sup> and Island) in January 2007.

**Charitable Investments and Sponsorship.** The Bank of America Charitable Foundation is one of the nation's largest corporate philanthropic organizations. Our ten-year commitment of \$1.5 billion in grants is unprecedented in corporate America. We deliver our services through grants to nonprofit organizations, our signature Neighborhood Excellence





Initiative, and by matching dollars contributed by our associates. In addition to philanthropy, Bank of America provides resources in the community through sponsorships of local organizations and activities.

In addition to the Bank of America's \$1 MM donation to aid first responders and evacuees of the recent fires in Southern California, the Bank made \$1.2 million in contributions for San Diego County in 2006, including grants and sponsorships for the following recipients:

### 000681 Grants

- ACCION San Diego
- Community Housing Works
- LISC
- The Old Globe
- San Diego Opera
- San Diego Regional Chamber
- San Diego Regional EDC
- San Diego Urban League
- Senior Community Centers
- United Way of San Diego
- YMCA of San Diego County
- Zoological Society of San Diego

### Sponsorships

- California Black Chamber of Commerce Convention
- Major League Baseball/ Habitat for Humanity Build
- March of Dimes, Walk America
- San Diego Aerospace Museum, Paper Airplane Festival
- San Diego Regional Chamber Mexican Debates
- UCSD Economic Roundtables
- United Way of San Diego, EITC

**Neighborhood Excellence.** Neighborhood Excellence is an initiative that Bank of America currently operates annually in 40 communities throughout the country to identify, recognize and reward outstanding community-based individuals and organizations. **Local Heroes** receive \$5,000 grants that they can direct to an organization of their choosing. **Student Leaders** receive mentoring from the bank and summer internships with local nonprofits. **Neighborhood Builders** are outstanding local nonprofit organizations that receive unrestricted \$200,000 operating grants, plus special leadership training and networking opportunities.

### 2006 Neighborhood Builders in San Diego County

- Casa Familiar Inc.: \$200,000
- Senior Community Centers: \$200,000

**Associate Involvement.** Bank of America's involvement in its local communities is supported by the Bank's associates, who volunteer thousands of hours each year in the neighborhoods where they live and work. The Team Bank of America Volunteer Network organizes the bank's involvement in volunteer projects, but associates donate their time outside the network as well.

In 2005/2006, Bank of America associates in San Diego County volunteered more than 2,000 hours through Team Bank of America.

Team Bank of America Projects (Partial List)	Bank of America Executives Serve on the Board of Directors of the Following Local Nonprofits (Partial List)
<ul style="list-style-type: none"> <li>• American Cancer Society, Relay for Life</li> <li>• California Coastal Beach Cleanup</li> <li>• Community Housing Works Facelift 2006</li> <li>• Junior Achievement, In the Classroom</li> <li>• March of Dimes, WalkAmerica</li> <li>• San Diego Aerospace Museum</li> </ul>	<ul style="list-style-type: none"> <li>• California Association for Economic Development</li> <li>• California Redevelopment Association</li> <li>• CDC Federation of San Diego County</li> <li>• City County Reinvestment Task Force</li> <li>• Junior Achievement of San Diego County</li> <li>• LISC</li> <li>• NTC Foundation</li> <li>• San Diego Futures Foundation</li> <li>• San Diego Symphony</li> <li>• Urban Corp of San Diego</li> <li>• Urban League of San Diego County</li> <li>• Voices for Children</li> <li>• YMCA of San Diego - Downtown, Point Loma,</li> <li>• Resident Camping Branch</li> </ul>



**LARGE BANK**

Comptroller of the Currency  
Administrator of National Banks

**Public Disclosure**

Evaluation Period:  
January 1, 2000 - December 31, 2001

**Community Reinvestment Act  
Performance Evaluation**

Bank of America, N.A.  
Charter Number: 13044  
101 South Tryon Street  
Charlotte, NC 28255

Office of the Comptroller of the Currency  
Large Bank Supervision  
250 E Street, S.W.  
Washington, D.C. 20219

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

000683

**Overall CRA Rating**

Institution's CRA Rating: This Institution is rated "Outstanding".

The following table indicates the performance level of Bank of America, N.A. with respect to the Lending, Investment, and Service Tests:

Performance Levels	Bank of America, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\*The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

## Summary of Multistate Metropolitan Areas and State Ratings

RATINGS - BANK OF AMERICA, N.A.				
Overall Bank:	Lending Test Rating*	Investment Test Rating**	Service Test Rating	Overall Ratings
BANK OF AMERICA, N.A.	Outstanding	Outstanding	High Satisfactory	Outstanding
Multistate Metropolitan Areas:				
Augusta-Aiken (GA-SC)	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Charlotte-Gastonia-Rock Hill (NC-SC)	Outstanding	Low Satisfactory	Outstanding	Outstanding
Johnson City-Kingsport-Bristol (TN-VA)	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Kansas City (MO-KSI)	Outstanding	Outstanding	Outstanding	Outstanding
Las Vegas (NV-AZ)	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
Portland-Vancouver (OR-WA)	Outstanding	Outstanding	Outstanding	Outstanding
St. Louis (MO-IL)	Outstanding	Outstanding	Low Satisfactory	Outstanding
Washington (DC-MD-VA-PA)	Outstanding	Outstanding	Outstanding	Outstanding
State:				
Arizona	Outstanding	High Satisfactory	High Satisfactory	Outstanding
Arkansas	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
California	Outstanding	Outstanding	High Satisfactory	Outstanding
Florida	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Georgia	Outstanding	Outstanding	High Satisfactory	Outstanding
Idaho	Outstanding	Outstanding	High Satisfactory	Outstanding
Illinois	Outstanding	Outstanding	High Satisfactory	Outstanding
Iowa	High Satisfactory	Low Satisfactory	Outstanding	Satisfactory
Kansas	Low Satisfactory	Low Satisfactory	Outstanding	Satisfactory
Maryland	Outstanding	Outstanding	High Satisfactory	Outstanding
Missouri	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Nevada	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
New Mexico	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
New York	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
North Carolina	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
Oklahoma	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Oregon	Low Satisfactory	Outstanding	Low Satisfactory	Satisfactory
South Carolina	Low Satisfactory	Outstanding	High Satisfactory	Satisfactory
Tennessee	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Texas	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
Utah	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
Virginia	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Washington	Outstanding	High Satisfactory	Outstanding	Outstanding

\*): The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

\*\*): The overall Investment Test rating includes investment activity in non-franchise states that are not weighted within the 31 rating areas detailed above.

## State of California Rating

CRA Rating for the State <sup>2</sup> :	<u>Outstanding</u>
The Lending Test is rated:	<u>Outstanding</u>
The Investment Test is rated:	<u>Outstanding</u>
The Service Test is rated:	<u>High Satisfactory</u>

The major factors that support this rating include:

- Lending levels that reflect excellent responsiveness by Bank of America, N.A. to the credit needs of its AAs within the state;
- Good distribution of Bank of America, N.A.'s loans among geographies and adequate distribution among borrowers of different income levels throughout its AAs;
- Community development lending levels that positively impacted performance within the state;
- Investment volume that reflects an excellent level of responsiveness to the needs of the state; and
- Provision of services that shows good responsiveness to banking needs.

### Conclusions for Areas Receiving Limited-Scope Reviews

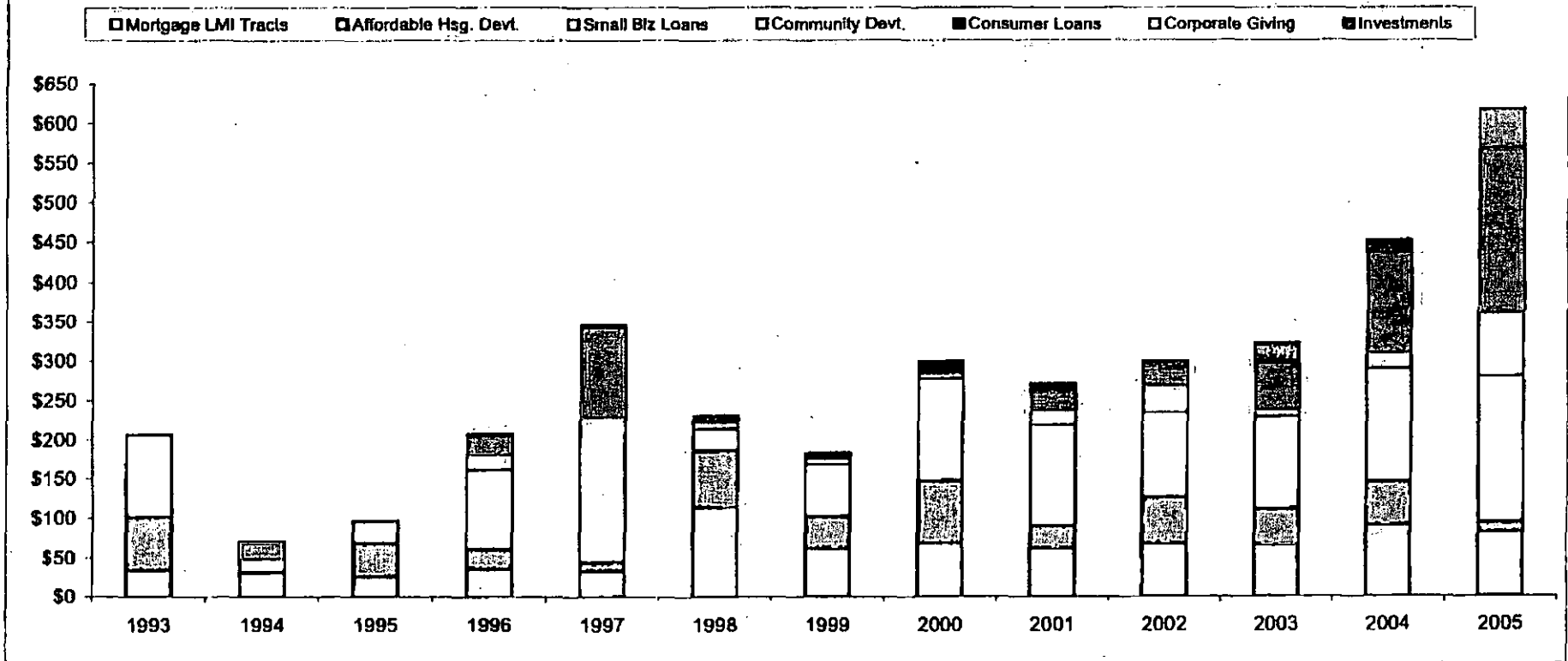
Based on limited-scope reviews, Lending Test performance in the Bakersfield, Fresno, Modesto, Oakland, Riverside-San Bernardino, Sacramento, Santa Cruz-Watsonville, San Diego, San Jose, Stockton-Lodi, Visalia-Tulare-Porterville, Ventura, and Yuba City MSAs is excellent and is not inconsistent with the overall Outstanding performance in California. Performance in the Chico-Paradise, Merced, Orange County, Redding, Salinas, Santa Barbara-Santa Maria-Lompoc, San Luis Obispo-Atascadero-Paso Robles, Santa Rosa, Vallejo-Fairfield-Napa, and Yolo MSAs as well as the California Non-MSA is weaker than the overall Outstanding performance in the state. Performance is good in the Chico-Paradise, Merced, Orange County, Redding, Salinas, Santa Rosa, Vallejo-Fairfield-Napa, and Yolo MSAs. Performance is adequate in the Santa Barbara-Santa Maria-Lompoc and San Luis Obispo-Atascadero-Paso Robles MSAs and poor in the California Non-MSA. Weaker performance is due to a less favorable distribution of HMDA loans among borrowers of different income levels. Performance in limited-scope AAs did not impact the Lending Test rating in California.

## Exhibit B

### Bank of America

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Mortgage LMI Tracts	\$34.30	\$31.30	\$25.80	\$35.90	\$33.50	\$114.22	\$62.32	\$68.80	\$61.28	\$67.18	\$65.68	\$90.65	\$81.43
Affordable Hsg. Devt.	\$68.20	\$1.00	\$43.90	\$25.70	\$12.20	\$71.96	\$40.80	\$78.37	\$28.94	\$59.56	\$46.16	\$55.51	\$13.53
Small Biz Loans	\$103.90	\$16.80	\$26.50	\$99.90	\$182.50	\$27.26	\$64.58	\$129.90	\$128.05	\$107.50	\$116.55	\$143.90	\$185.48
Gov. Guaranteed	\$100.00	\$10.90	\$16.60	\$89.10	\$168.70	\$22.21	\$5.95	\$16.22	\$21.44	\$10.96	\$11.40	\$4.94	\$5.46
Conventional	\$3.90	\$5.90	\$9.90	\$10.80	\$13.80	\$5.05	\$58.63	\$113.68	\$106.61	\$96.54	\$105.15	\$138.96	\$180.02
Community Devt.				\$18.00		\$8.76	\$7.38	\$7.84	\$18.27	\$33.48	\$8.63	\$20.09	\$80.53
Consumer Loans	\$0.80	\$22.60		\$27.60	\$118.30	\$8.70	\$7.36	\$14.83	\$28.57	\$22.72	\$61.94	\$130.19	\$207.10
Corporate Giving	\$0.00	\$0.10	\$0.28	\$0.08	\$0.16	\$0.18	\$0.20	\$0.36	\$0.19	\$0.22	\$0.50	\$0.83	\$1.06
Investments									\$6.32	\$9.63	\$22.60	\$12.41	\$47.72
Total	\$207.20	\$71.80	\$96.48	\$207.18	\$346.66	\$231.08	\$182.64	\$300.10	\$271.62	\$300.29	\$322.08	\$453.58	\$616.85

### BANK OF AMERICA Reinvestment History San Diego County 1999-2005



000606

## Exhibit C

### San Diego 2006 HMDA Performance

#### LMI Tracts

	Home Purchase		Refinance		Home Improvement		TOTAL	
<u>Borrower Income</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>
Low	1	\$ 113,710	17	\$ 1,282,446	7	\$ 600,500	25	\$ 1,996,656
Moderate	20	\$ 3,857,820	63	\$ 10,184,589	32	\$ 3,208,333	115	\$ 17,250,741
Medium	71	\$ 18,485,525	126	\$ 31,729,702	27	\$ 4,249,889	224	\$ 54,465,116
High	178	\$ 52,987,338	194	\$ 60,314,632	36	\$ 7,568,000	408	\$ 120,869,970
NCD	1	\$ 351,298	14	\$ 1,922,278	8	\$ 1,360,544	23	\$ 3,634,120
Just LMI Borrowers	21	\$ 3,971,530	80	\$ 11,467,035	39	\$ 3,808,833	140	\$ 19,247,398
TOTAL LMIT	271	\$ 75,795,691	414	\$ 105,433,647	110	\$ 16,987,266	795	\$ 198,216,603

#### LMI Borrowers

	Home Purchase		Refinance		Home Improvement		TOTAL	
<u>Tract Classification</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>	<u>Count</u>	<u>Amount</u>
Low	3	\$ 537,013	17	\$ 2,238,263	14	\$ 1,208,840	34	\$ 3,984,116
Moderate	18	\$ 3,434,517	63	\$ 9,228,772	25	\$ 2,599,993	106	\$ 15,263,282
Medium	27	\$ 4,359,947	105	\$ 17,728,804	39	\$ 4,526,106	171	\$ 26,614,857
High	20	\$ 4,458,119	54	\$ 8,377,492	17	\$ 1,568,922	91	\$ 14,404,533
Just LMI Tracts	21	\$ 3,971,530	80	\$ 11,467,035	39	\$ 3,808,833	140	\$ 19,247,398
TOTAL LMIB	68	\$ 12,789,596	239	\$ 37,573,331	95	\$ 9,903,861	402	\$ 60,266,788

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# **2005 Reinvestment Volume in San Diego County: A Summary**

*San Diego Reinvestment Task Force*

*3989 Ruffin Rd.*

*San Diego, CA 92123*

## ***Background on the Reinvestment Task Force***

- San Diego City-County Reinvestment Task Force (RTF) was established in 1977 as a joint City and County quasi-public entity
- Monitor banking practices in the region
- Develop strategies for reinvestment in partnership with public, community and private lending institutions
- Add community development equity investment
- Broaden investor base beyond banks



# *Monitor Lending Practices*

Develop specific agreements with major lenders in the County of San Diego

- Home mortgages in low-mod census tracts
- Affordable housing development
- Small business lending
- Community development lending
- Consumer loans for low-income borrowers
- Corporate giving for housing and economic development
- Investments

## *Agreements with Banks*

As of 2005 specific agreements with 10 institutions:

- Bank of America
- Washington Mutual
- Wells Fargo
- Union Bank
- CA Bank & Trust
- US Bank
- San Diego National
- Citibank
- Comerica
- Borrego Springs

Note: Borrego Springs' data is not included due to small size relative to the other 9 banks.

# Market Share

Institution	No. of Office 2005	No. of Offices 2006	%Market Share 2005	%Market Share 2006	Deposits 2006 (\$000)
<b>Bank of America</b>	<b>75</b>	<b>71</b>	<b>18.19%</b>	<b>17.02%</b>	<b>8,043,653</b>
<b>Wells Fargo Bank</b>	<b>92</b>	<b>91</b>	<b>15.46%</b>	<b>16.06 %</b>	<b>7,588,133</b>
<b>Washington Mutual Bank</b>	<b>68</b>	<b>70</b>	<b>15.41 %</b>	<b>15.33 %</b>	<b>7,246,059</b>
<b>Union Bank of California</b>	<b>60</b>	<b>61</b>	<b>10.63 %</b>	<b>9.80 %</b>	<b>4,631,254</b>
<b>California Bank &amp; Trust</b>	<b>27</b>	<b>27</b>	<b>5.51 %</b>	<b>5.45 %</b>	<b>2,573,368</b>
<b>San Diego National Bank</b>	<b>19</b>	<b>21</b>	<b>4.30 %</b>	<b>4.35 %</b>	<b>2,055,567</b>
<b>Citibank West</b>	<b>24</b>	<b>25</b>	<b>1.87 %</b>	<b>2.08 %</b>	<b>985,199</b>
<b>US Bank</b>	<b>39</b>	<b>42</b>	<b>4.08 %</b>	<b>3.59 %</b>	<b>1,697,909</b>
<b>Comerica Bank</b>	<b>2</b>	<b>3</b>	<b>1.40 %</b>	<b>1.28 %</b>	<b>604,549</b>

source: FDIC Market Share Report for San Diego County: June 30, 2006

# CRA Activity Data Categories

- Home Purchase Loans in Low and Moderate-Income Census Tracts (new home purchase loans)
- Affordable Housing Development
- Small Business Loans (businesses with annual revenue of \$1 million or less.)
  - Government Guaranteed
  - Conventional
- Community Development Loans (if not reported in another category)
- Community Consumer Loans (specialized low-income programs)
- Corporate Giving (for housing and community development)

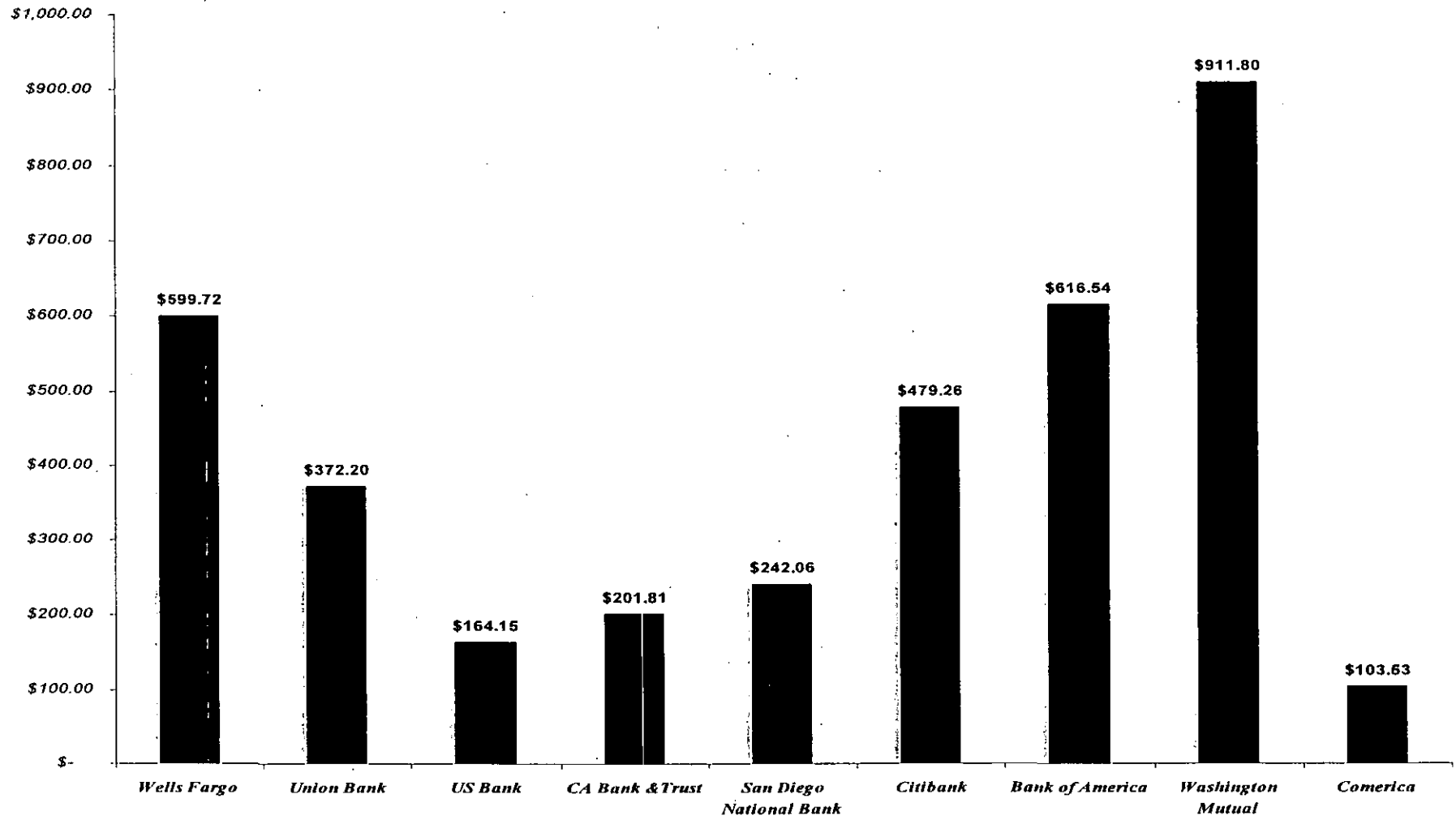
# 2005 CRA Activity in San Diego

Lending Institution	CRA Amount (millions)	2005 Percent of Deposits	Percent of Deposits Difference 2004-2005
Bank Of America	\$616.54	7.7%	2.32%
Wells Fargo Bank	\$599.72	7.9%	1.46%
Washington Mutual	\$911.80	12.6%	1.08%
Union Bank of California	\$372.20	8.0%	3.48%
CA Bank and Trust	\$201.81	7.8%	-2.79%
San Diego National	\$242.06	11.8%	.35%
US Bank	\$164.15	9.7%	1.03%
Citibank West	\$479.26	48.6%	-13.79%
Comerica	\$103.85	17.1%	-.22%
Total/ Average:	\$3,964.12	10.4%	1.21%

➤ *The CRA Amount Increased by \$675 million (20%) over 2004. The Percent of Deposits increased by 1.21% over 2003.*

# 2005 CRA Volume By Individual Banks

Reinvestment Volume: By Agreement Banks San Diego County 2005 (in millions)

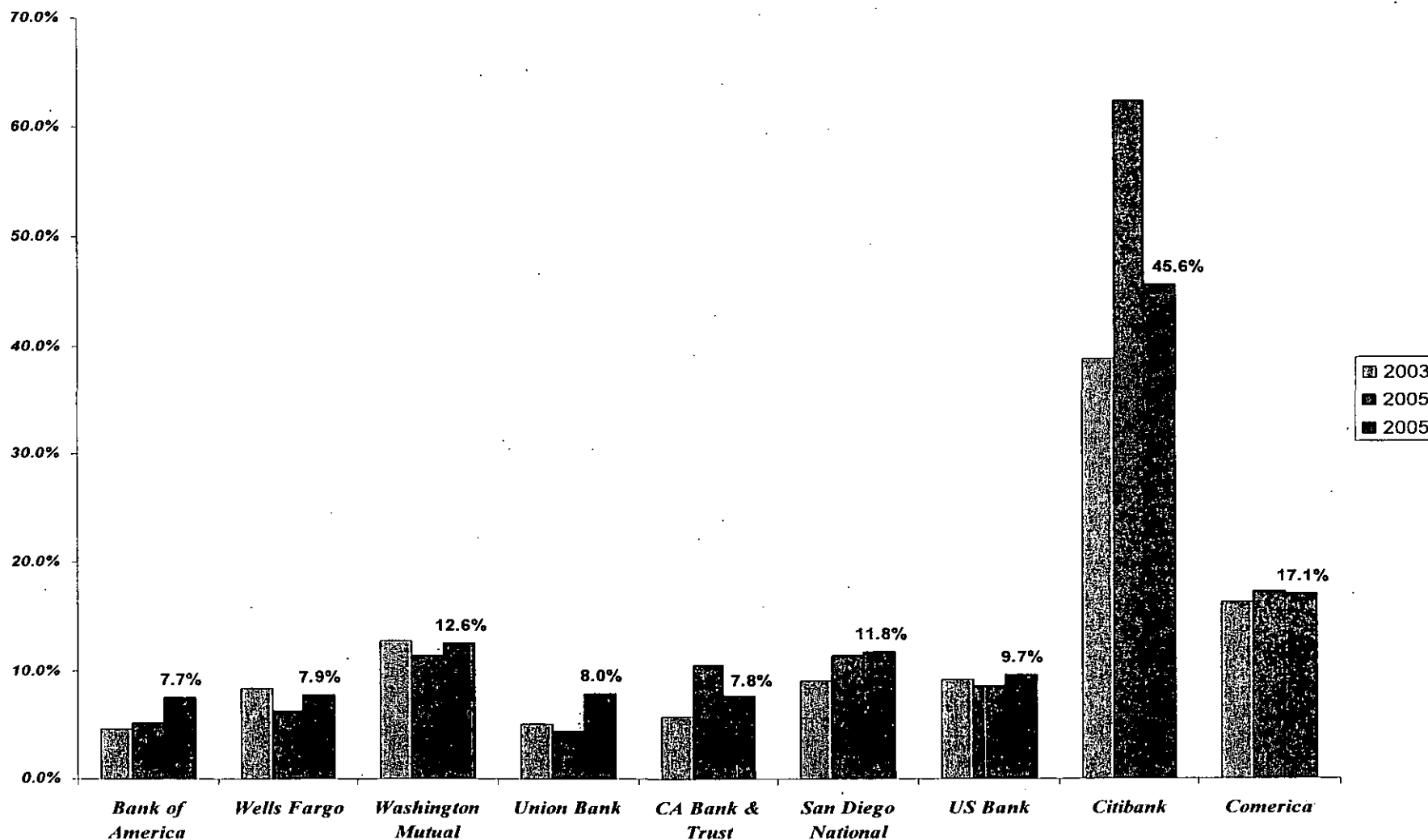


## *Difference in CRA Volume 2004-2005*

<b>Lending Institution</b>	<b>\$ CRA Volume Difference 2004-2005 (millions)</b>	<b>\$CRA Volume Percent Difference 2004-2005</b>
<i>Bank of America</i>	\$162.96	35.9%
<i>Wells Fargo Bank</i>	\$136.27	33%
<i>Washington Mutual</i>	\$85.46	10.3%
<i>Union Bank of California</i>	\$148.48	66.4%
<i>CA Bank &amp; Trust</i>	-\$69.93	-25.7%
<i>San Diego National</i>	\$13.10	5.7%
<i>US Bank</i>	-\$0.81	-0.5%
<i>Citibank West</i>	-\$64.77	-11.9%
<i>Comerica</i>	-\$8.90	-7.9%

# Agreement Banks' CRA Volume in San Diego as % of Deposit (2003-2005)

Agreement Banks' CRA Volume in San Diego as % of Deposit (2003-2005)

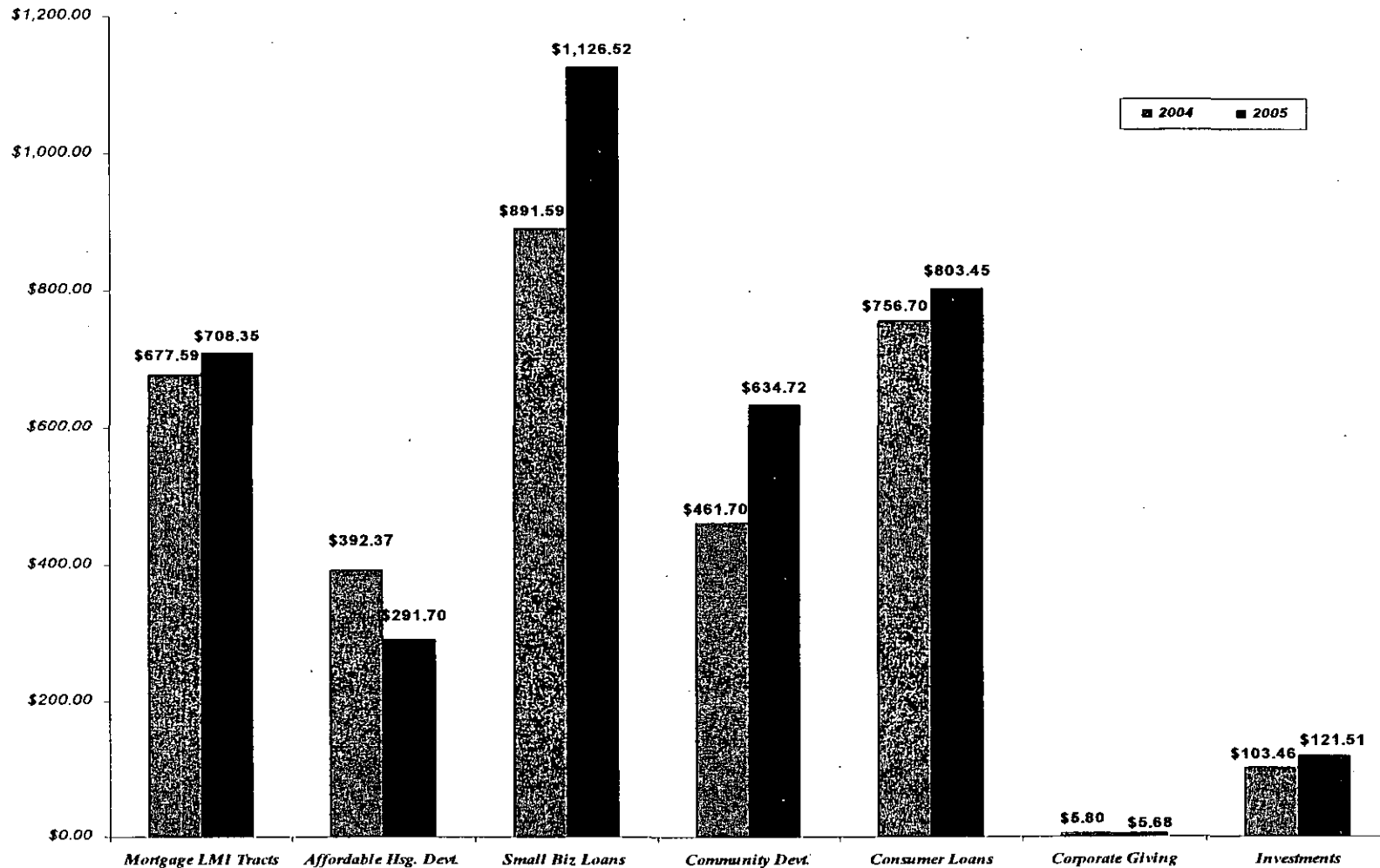




# Reinvestment By Category: 2004-2005

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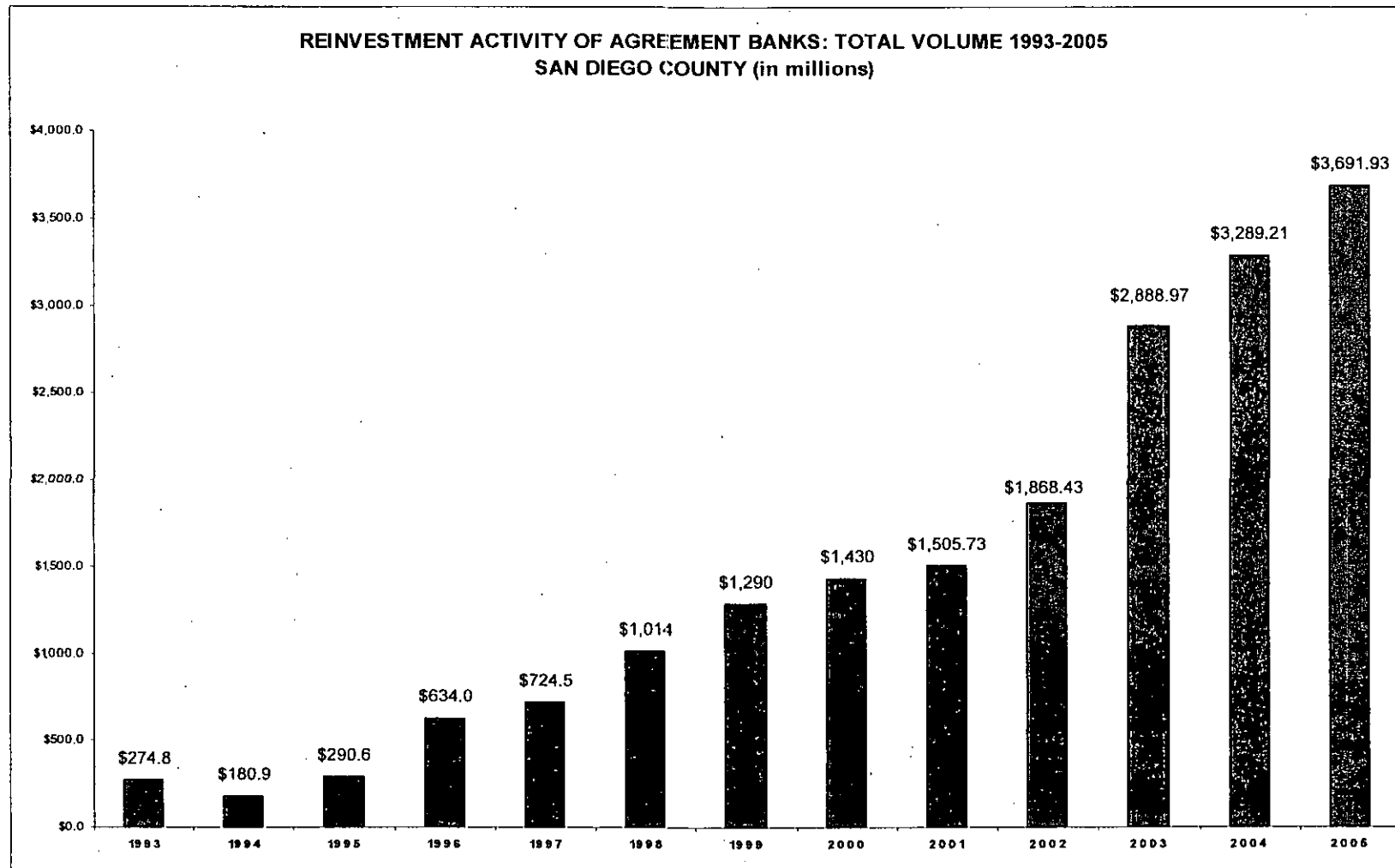
REINVESTMENT ACTIVITY: VOLUME BY CATEGORY 2004-2005 SAN DIEGO COUNTY (in millions)



## *Reinvestment Difference By Category: 2004-2005*

Category	\$ Difference (millions) 2004-2005	% Difference 2004-2005
Mortgage LMI Tracts	\$30.76	4.5%
Affordable Housing	\$(-100.67)	-25.7%
Small Biz Loans	\$234.93	26.3%
Community Development	\$173.02	37.5%
Consumer Loans	\$46.75	6.2%
Corporate Giving	\$(-0.12)	-2.1%
Investments	\$18.05	17.4%

# *Total Reinvestment Volume 1993-2005*

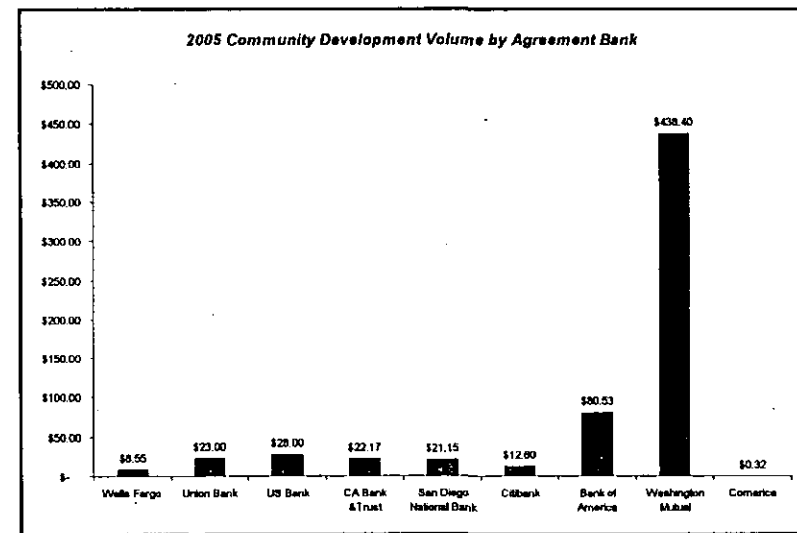
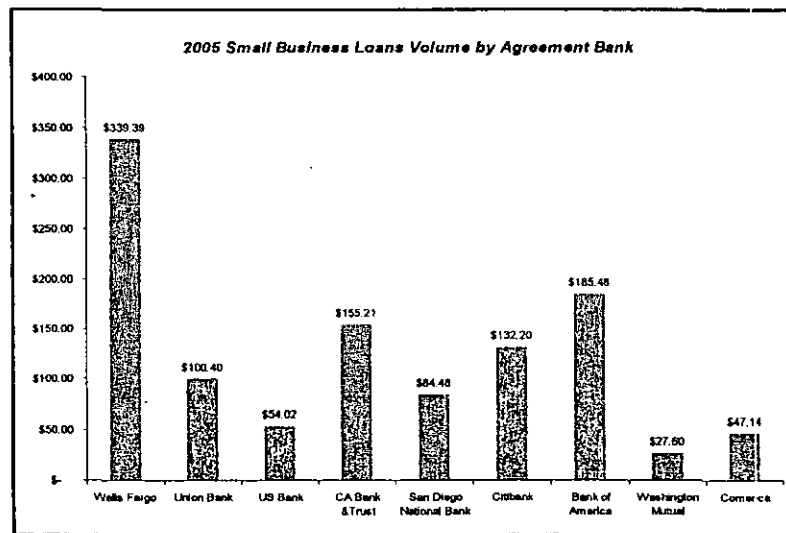
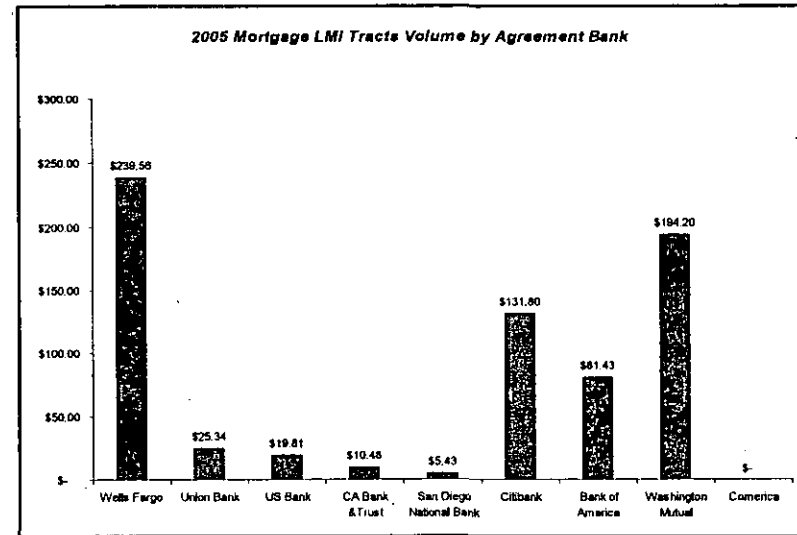
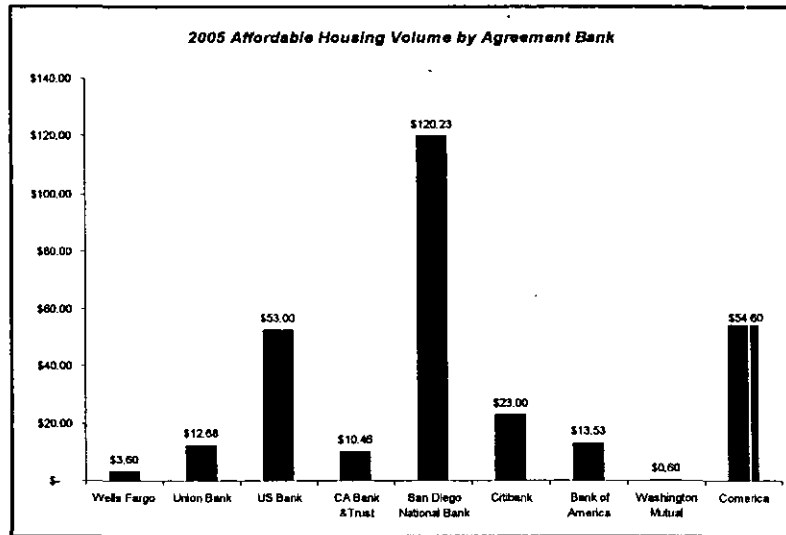


Activity	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Mortgage LMI Tracts	50	100	150	200	250	300	350	400	500	600	700	750	800
Affordable Hsg. Devt.	100	50	100	150	100	200	300	400	500	600	700	800	900
Small Biz Loans	100	150	200	250	300	350	400	450	500	550	600	650	700
Community Devt.	10	20	30	40	50	60	70	80	90	100	110	120	130
Consumer Loans	20	30	40	50	60	70	80	90	100	110	120	130	140
Corporate Giving	10	20	30	40	50	60	70	80	90	100	110	120	130
Investments	10	20	30	40	50	60	70	80	90	100	110	120	130

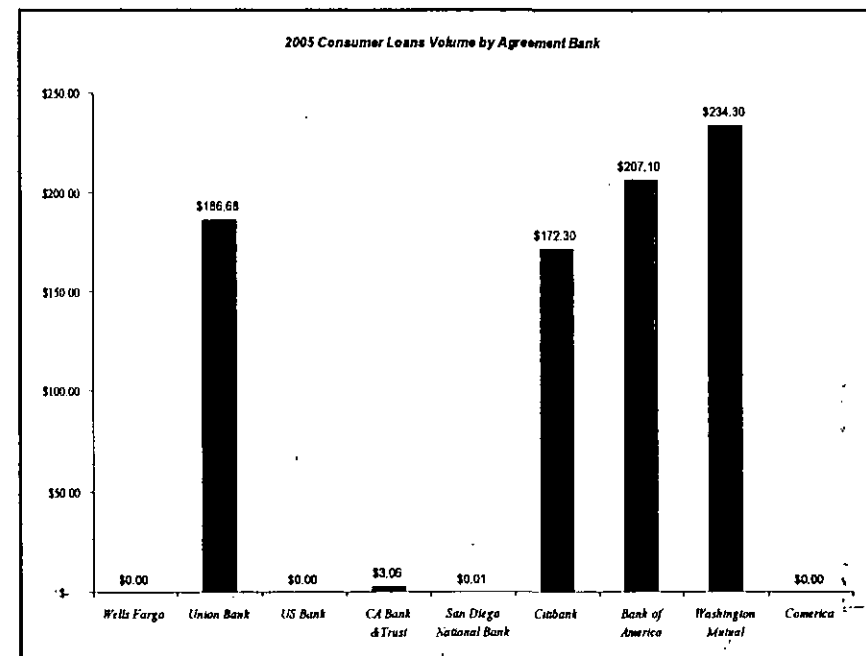
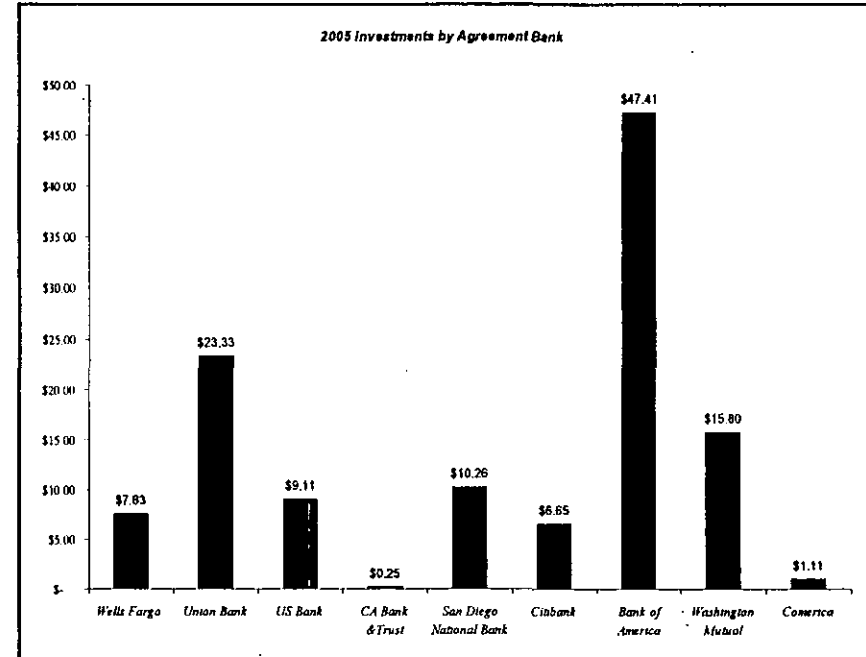
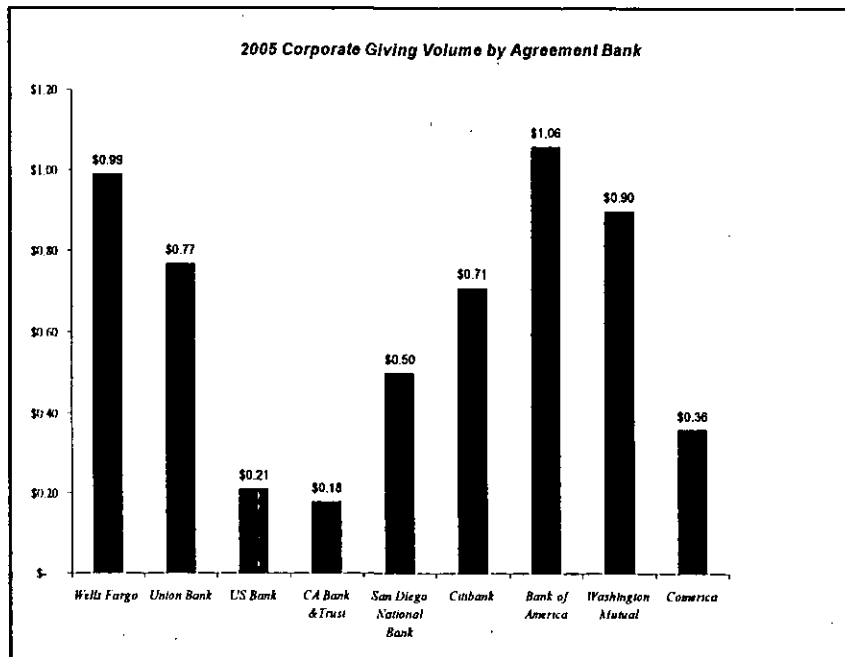
# 1993-2005 Category Totals

Category	1993-2005 (millions)
Mortgage LMI Tracts	\$3893.52
Affordable Hsg. Devt.	\$1,586.11
Small Biz Loans	\$6,592.27
Community Development	\$2,979.71
Consumer Loans	\$3,254.45
Corporate Giving	\$53.21
Investments	\$723.23
Totals	\$19,082.50

# Agreement Banks' 2005 Volume by Category



# Agreement Banks' 2005 Volume by Category Contd..



000705

**AGREEMENT FOR CONSULTING SERVICES  
FOR  
THE CITY OF SAN DIEGO  
DEBT MANAGEMENT, DEPARTMENT OF FINANCE**

**AGREEMENT  
FOR  
FINANCIAL ADVISORY SERVICES RELATED TO THE GENERAL FUND  
DEFERRED MAINTENANCE FINANCING**

**THE CITY OF SAN DIEGO  
AND  
MONTAGUE DeROSE AND ASSOCIATES, LLC**



## TABLE OF CONTENTS

### **Article I      Consultant Services**

- 1.1    Scope of Services
- 1.2    Contract Administrator
- 1.3    City Modification of Scope of Services
- 1.4    Written Authorization
- 1.5    Confidentiality of Services

### **Article II     Duration of Agreement**

- 2.1    Term of Agreement
- 2.2    Time of Essence
- 2.3    Notification of Delay
- 2.4    Delay
- 2.5    City's Right to Suspend for Convenience
- 2.6    City's Right to Terminate for Convenience
- 2.7    City's Right to Terminate for Default

### **Article III    Compensation**

- 3.1    Amount of Compensation
- 3.2    Additional Services
- 3.3    Manner of Payment
- 3.4    Additional Costs

### **Article IV    Consultant's Obligations**

- 4.1    Industry Standards
- 4.2    Right to Audit
  - 4.2.1. Access
  - 4.2.2. Audit
  - 4.2.3. City's Right Binding on Subcontractors
  - 4.2.4. Compliance Required before Mediation or Litigation
- 4.3    Insurance
- 4.4    Subcontractors
  - 4.4.1 Subcontractor Contract
- 4.5    ADA Certification
- 4.6    Contract Activity Report
- 4.7    Non-Discrimination Requirements
  - 4.7.1. Compliance with the City's Equal Opportunity Contracting
  - 4.7.2. Non-Discrimination Ordinance
  - 4.7.3. Compliance Investigations
- 4.8    Drug-Free Workplace
  - 4.8.1. Consultant's Notice to Employees
  - 4.8.2. Drug-Free Awareness Program
  - 4.8.3. Posting the Statement
  - 4.8.4. Subcontractor's Agreements

- 4.9 Product Endorsement
- 4.10 Conflict of Interest
  - 4.10.1.
  - 4.10.2.
- 4.11 Mandatory Assistance
- 4.12 Compensation for Mandatory Assistance
- 4.13 Attorney Fees related to Mandatory Assistance

**ARTICLE V        Reserved**

**ARTICLE VI       Indemnification**

- 6.1 Indemnification and Hold Harmless Agreement.

**ARTICLE VII      Mediation**

- 7.1 Mandatory Non-binding Mediation
- 7.2 Mandatory Mediation Costs
- 7.3 Selection of Mediator
  - 7.3.1
  - 7.3.2
  - 7.3.3
- 7.4 Conduct of Mediation Sessions
  - 7.4.1
  - 7.4.2

**ARTICLE VIII     Intellectual Property Rights**

- 8.1 Work for Hire
- 8.2 Rights in Data
- 8.3 Intellectual Property Rights Assignment
- 8.4 Moral Rights
- 8.5 Subcontracting
- 8.6 Publication
- 8.7 Intellectual Property Warranty and Indemnification
- 8.8 Enforcement Costs

**ARTICLE IX        Miscellaneous**

- 9.1    Notices
- 9.2    Headings
- 9.3    Non-Assignment
- 9.4    Independent Contractors
- 9.5    Consultant and Subcontractor Principals for Consultant Services
- 9.6    Covenants and Conditions
- 9.7    Compliance with Controlling Law
- 9.8    Jurisdiction and Attorney Fees
- 9.9    Successors in Interest
- 9.10   Integration
- 9.11   Counterparts
- 9.12   No Waiver
- 9.13   Severability
- 9.14   Additional Consultants or Contractors
- 9.15   Employment of City Staff
- 9.16   Municipal Powers
- 9.17   Drafting Ambiguities
- 9.18   Conflicts Between Terms
- 9.19   Exhibits Incorporated
- 9.20   Survival of Obligations

**Exhibits**

- Exhibit A -    Scope of Services
- Exhibit B -    Compensation and Fee Schedule
- Exhibit C -    Time Schedule
- Exhibit D -    Insurance
- Exhibit E -    City's Equal Opportunity Contracting Program Consultant Requirements
  - (AA)    Work Force Report
  - (BB)    Subcontractors List
  - (CC)    Contract Activity Report
- Exhibit F -    Consultant Certification for a Drug-Free Workplace
- Exhibit G -    Community Reinvestment Program

**AGREEMENT BETWEEN  
THE CITY OF SAN DIEGO  
AND MONTAGUE DeROSE AND ASSOCIATES, LLC  
FOR CONSULTANT SERVICES**

THIS Agreement is made and entered into between the City of San Diego, a municipal corporation [City], and Montague DeRose and Associates, LLC [Consultant] for the Consultant to provide Services to the City for Financial Advisory services related to the City's deferred maintenance financing.

**RECITALS**

The City wants to retain the services of a professional financial consultant firm to provide financial advisory services for the City's deferred maintenance financing.

The Consultant has the expertise, experience and personnel necessary to provide the Services. The City and the Consultant [Parties] want to enter into an Agreement whereby the City will retain the Consultant to provide, and the Consultant shall provide, the Services.

In consideration of the above recitals and the mutual covenants and conditions set forth, herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby set forth their mutual covenants and understandings as follows:

**ARTICLE I**

**CONSULTANT SERVICES**

The above-listed recitals are true and correct and are hereby incorporated by reference.

1.1 **Scope of Services.** The Consultant shall perform the Services as set forth in the written Scope of Services [Exhibit A] at the direction of the City.

1.2 **Contract Administrator.** *The Debt Management Department is the contract administrator for this Agreement. The Consultant shall provide the Services under the direction of a designated representative of the Debt Management Department, who can be contacted at:*

Jyothi Pantulu, Supervising Economist  
(619) 236-6917  
jpantulu@sandiego.gov

000710

The City's designated representative will communicate with the Consultant on all matters related to the administration of this Agreement and the Consultant's performance of the Services rendered hereunder. When this Agreement refers to communications to or with the City, those communications will be with the designated representative, unless the designated representative or the Agreement specifies otherwise. However, when this Agreement refers to an act or approval to be performed by City, that act or approval shall be performed by the Mayor or his designee, unless the Agreement specifies otherwise.

**1.3 City Modification of Scope of Services.** The City may, without invalidating this Agreement, order changes in the Scope of Services by altering, adding to or deducting from the Professional Services to be performed. All such changes shall be in writing and shall be performed in accordance with the provisions of this Agreement. If any such changes cause an increase or decrease in the Consultant's cost of, or the time required for, the performance of any of the Professional Services, the Consultant shall immediately notify the City. If the City deems it appropriate, an equitable adjustment to the Consultant's compensation or time for performance may be made, provided that any adjustment must be approved by both Parties in writing in accordance with Section 9.1 of this Agreement.

**1.4 Written Authorization.** Prior to performing any Services, the Consultant shall obtain from the City a written authorization to proceed. Further, throughout the term of this Agreement, the Consultant shall immediately advise the City in writing of any anticipated change in the Scope of Services (Exhibit A), Compensation and Fee Schedule [Exhibit B], or Time Schedule [Exhibit C], and shall obtain the City's written consent to the change prior to making any changes. In no event shall the City's consent be construed to relieve the Consultant from its duty to render all Services in accordance with applicable laws and accepted industry standards.

**1.5 Confidentiality of Services.** All Services performed by the Consultant, including but not limited to all drafts, data, correspondence, proposals, reports, and estimates compiled or composed by the Consultant, pursuant to this Agreement, are for the sole use of the City, its agents and employees. Neither the documents nor their contents shall be released to any third party without the prior written consent of the City. This provision does not apply to information that (a) was publicly known, or otherwise known to the Consultant, at the time that it was disclosed to the Consultant by the City, (b) subsequently becomes publicly known through no act or omission of the Consultant, or (c) otherwise becomes known to the Consultant other than through disclosure by the City. Except for Subcontractors covered by Section 4.4, neither the documents nor their contents shall be released to any third party without the prior written consent of the City.

## ARTICLE II

### DURATION OF AGREEMENT

**2.1 Term of Agreement.** This Agreement shall be effective on the date it is executed by the last Party to sign the Agreement, and approved by the City Attorney in accordance with San Diego Charter Section 40. Unless otherwise terminated, it shall be effective until completion of the Scope of Services or upon written notice of cancellation, whichever is the earliest but not to exceed five years unless approved by City ordinance.

**2.2 Time of Essence.** Time is of the essence for each provision of this Agreement, unless otherwise specified in this Agreement. The time for performance of the Scope of Services (Exhibit A) is set forth in the Time Schedule (Exhibit C).

**2.3 Notification of Delay.** The Consultant shall immediately notify the City in writing if the Consultant experiences or anticipates experiencing a delay in performing the Services within the time frames set forth in the Time Schedule (Exhibit C). The written notice shall include an explanation of the cause for, and a reasonable estimate of the length of the delay. If in the opinion of the City, the delay affects a material part of the City's requirements for the Services, the City may exercise its rights under Sections 2.5-2.7 of this Agreement.

**2.4 Delay.** If delays in the performance of the Services are caused by unforeseen events beyond the control of the Parties, such delay may entitle the Consultant to a reasonable extension of time, but such delay shall not entitle the Consultant to damages or additional compensation. Any such extension of time must be approved in writing by the City. The following conditions may constitute such a delay: war; changes in law or government regulation; labor disputes; strikes; fires, floods, adverse weather or other similar condition of the elements necessitating cessation of the Consultant's work; inability to obtain materials, equipment, or labor; required additional Services; or other specific reasons agreed to between the City and the Consultant; provided, however, that: (a) this provision shall not apply to, and the Consultant shall not be entitled to an extension of time for, a delay caused by the acts or omissions of the Consultant; and (b) a delay caused by the inability to obtain materials, equipment, or labor shall not entitle the Consultant to an extension of time unless the Consultant furnishes the City, in a timely manner, documentary proof satisfactory to City of the Consultant's inability to obtain materials, equipment, or labor.

**2.5 City's Right to Suspend for Convenience.** The City may, at its sole option and for its convenience, suspend all or any portion of the Consultant's performance of the Services, for a reasonable period of time not to exceed six months. In accordance with the provisions of this Agreement, the City will give written notice to the Consultant of such suspension. In the event of such a suspension, in accordance with the provisions of Article III of this Agreement, the City shall pay to the Consultant a sum equivalent to the reasonable value of the Services the Consultant has satisfactorily performed up to the date of suspension. Thereafter, the City may rescind such suspension by giving written notice of rescission to the Consultant. The City may then require the Consultant to resume performance of the Services in compliance with the terms and conditions of this Agreement; provided, however, that the Consultant shall be entitled to an extension of time equal to the length of the suspension, unless otherwise agreed to in writing by the Parties.

**2.6 City's Right to Terminate for Convenience.** The City may, at its sole option and for its convenience, terminate all or any portion of the Services agreed to pursuant to this Agreement by giving written notice of such termination to the Consultant. Such notice shall be delivered by certified mail with return receipt for delivery to the City. The termination of the Services shall be effective upon receipt of the notice by the Consultant. After termination of this Agreement, the Consultant shall complete any and all additional work necessary for the orderly filing of documents and closing of the Consultant's Services under this Agreement. For services satisfactorily rendered in completing the work, the Consultant shall be entitled to fair and reasonable compensation for the Services performed by the Consultant before the effective date of termination. After filing of documents and completion of performance, the Consultant shall deliver to the City all documents or records related to the Consultant's Services. By accepting payment for completion, filing and delivering documents as called for in this paragraph, the Consultant discharges the City of all of the City's payment obligations and liabilities under this Agreement.

**2.7 City's Right to Terminate for Default.** If the Consultant fails to satisfactorily perform any obligation required by this Agreement, the Consultant's failure constitutes a Default. A Default includes the Consultant's failure to adhere to the Time Schedule. If the Consultant fails to satisfactorily cure a Default within ten calendar days of receiving written notice from the City specifying the nature of the Default, the City may immediately cancel and/or terminate this Agreement, and terminate each and every right of the Consultant, and any person claiming any rights by or through the Consultant under this Agreement. The rights and remedies of the City enumerated in this Section are cumulative and shall not limit, waive, or deny any of the City's rights under any other provision of this Agreement. Nor does this Section otherwise waive or deny any right or remedy, at law or in equity, existing as of the date of this Agreement or hereinafter enacted or established, that may be available to the City against the Consultant.

### ARTICLE III

#### COMPENSATION

**3.1 Amount of Compensation.** The City shall pay the Consultant for performance of all Services rendered in accordance with this Agreement, including reasonably related expenses, in an amount not to exceed \$ 42,500.00. The compensation for the Scope of Services shall not exceed \$ 37,500.00 and the compensation for Additional Services (described in Section 3.3), if any, shall not exceed \$ 5,000.00.

**3.2 Additional Services.** The City may require that the Consultant perform additional Services beyond those described in the Scope of Services [Additional Services]. Prior to the Consultant's performance of Additional Services, the City and the Consultant must agree in writing upon a fee for the Additional Services, including reasonably related expenses, in accordance with the Compensation and Fee Schedule (Exhibit B). The City will pay the Consultant for the performance of Additional Services in accordance with Section 3.3.

**3.3 Manner of Payment.** The City shall pay the Consultant in accordance with the Compensation and Fee Schedule (Exhibit B). For the duration of this Agreement, the Consultant shall not be entitled to fees, including fees for expenses, that exceed the amounts specified in the Compensation and Fee Schedule. The Consultant shall submit one invoice per calendar month in a form acceptable to City in accordance with the Compensation and Fee Schedule. The Consultant shall include with each invoice a description of completed Services, reasonably related expenses, if any, and all other information, including but not limited to: the progress percentage of the Scope of Services and/or deliverables completed prior to the invoice date, as required by the City. The City will pay undisputed portions of invoices within thirty calendar days of receipt. Invoice shall be mailed to the following address:

City of San Diego  
Debt Management, Department of Finance  
202 C Street, MS7B  
San Diego, CA 92101  
(619) 235-5840

**3.4 Additional Costs.** Additional Costs are those costs that can be reasonably determined to be related to the Consultant's errors or omissions, and may include Consultant, City, or Subcontractor overhead, construction, materials, demolition, and related costs. The Consultant shall not be paid for the Services required due to the Consultant's errors or omissions, and the Consultant shall be responsible for any Additional Costs associated with such errors or omissions. These Additional Costs may be deducted from monies due, or that become due, the Consultant. Whether or not there are any monies due, or becoming due, the Consultant shall reimburse the City for Additional Costs due to the Consultant's errors or omissions.

## ARTICLE IV

### CONSULTANT'S OBLIGATIONS

**4.1 Industry Standards.** The Consultant agrees that the Services rendered under this Agreement shall be performed in accordance with the standards customarily adhered to by an experienced and competent financial advisory firm using the degree of care and skill ordinarily exercised by reputable professionals practicing in the same field of service in the State of California. Where approval by the City, the Mayor or his designee, or other representatives of the City is required, it is understood to be general approval only and does not relieve the Consultant of responsibility for complying with all applicable laws, codes, and good consulting practices.

#### **4.2 Right to Audit.**

**4.2.1 Access.** The City retains the right to review and audit, and the reasonable right of access to Consultant's and any Subcontractor's premises to review and audit the Consultant's or Subcontractor's compliance with the provisions of this Agreement [City's Right]. The City's Right includes the right to inspect and photocopy same, and to retain copies, outside of the Consultant's premises, of any and all records related to the Services provided hereunder with appropriate safeguards, if such retention is deemed necessary by the City in its sole discretion. This information shall be kept by the City in the strictest confidence allowed by law.



**4.2.2 Audit.** The City's Right includes the right to examine any and all books, records, documents and any other evidence of procedures and practices that the City determines are necessary to discover and verify that the Consultant or Subcontractor is in compliance with all requirements under this Agreement.

**4.2.2.1 Cost Audit.** If there is a claim for additional compensation or for Additional Services, the City's Right includes the right to examine books, records, documents, and any and all other evidence and accounting procedures and practices that the City determines are necessary to discover and verify all direct and indirect costs, of whatever nature, which are claimed to have been incurred, or anticipated to be incurred.

**4.2.2.1.1 Accounting Records.** The Consultant and all Subcontractors shall maintain complete and accurate records in accordance with generally accepted accounting practices in the industry. The Consultant and Subcontractors shall make available to the City for review and audit; all Service related accounting records and documents, and any other financial data. Upon the City's request, the Consultant and Subcontractors shall submit exact duplicates of originals of all requested records to the City.

**4.2.3 City's Right Binding on Subcontractors.** The Consultant shall include the City's Right as described in Section 4.2, in any and all of their subcontracts, and shall ensure that these sections are binding upon all Subcontractors.

**4.2.4 Compliance Required before Mediation or Litigation.** A condition precedent to proceeding with mandatory mediation and further litigation provided for in Article VII is the Consultant's and Subcontractors full compliance with the provisions of this Section 4.2 within sixty days of the date on which the City mailed a written request to review and audit compliance.

**4.3 Insurance.** The Consultant shall not begin the Services under this Agreement until it has: (a) obtained, and provided to the City, insurance certificates reflecting evidence of all insurance as set forth in Exhibit D; however, the City reserves the right to request, and the Consultant shall submit, copies of any policy upon reasonable request by the City; (b) obtained City approval of each company or companies as described in Exhibit D; and (c) confirmed that all policies contain the specific provisions required in Exhibit D. Consultant's liabilities, including but not limited to Consultant's indemnity obligations, under this Agreement, shall not be deemed limited in any way to the insurance coverage required herein. Except as provided for under California law, all policies of insurance required hereunder must provide that the City is entitled to thirty (30) days prior written notice (10 days for cancellation due to non-payment of premium) of cancellation or non-renewal of the policy or policies. Maintenance of specified insurance coverage is a material element of this Agreement and Consultant's failure to maintain or renew coverage or to provide evidence of renewal during the term of this Agreement may be treated as a material breach of contract by the City.

Further, the Consultant shall not modify any policy or endorsement thereto which increases the City's exposure to loss for the duration of this Agreement.

**4.4 Subcontractors.** The Consultant's hiring or retaining of any third parties [Subcontractors] to perform Services [Subcontractor Services] is subject to prior approval by the City. The Consultant shall list on the Subcontractor List [Exhibit E] all Subcontractors known to the Consultant at the time this Agreement is entered. If at any time after this Agreement is entered into the Consultant identifies a need for additional Subcontractor Services, the Consultant shall give written notice to the City of the need, at least forty-five days before entering into a contract for such Subcontractor Services. The Consultant's notice shall include a justification, a description of the scope of work, and an estimate of all costs for the Subcontractor Services. The Consultant may request that the City reduce the forty-five day notice period. The City agrees to consider such requests in good faith.

**4.4.1 Subcontractor Contract.** All contracts entered into between the Consultant and any Subcontractor shall contain the information as described in Sections 4.6, 4.7, 4.10.2, and 4.18, and shall also provide as follows:

**4.4.1.1** Each Subcontractor shall obtain insurance policies which shall be kept in full force and effect during any and all work on this Agreement. Each Subcontractor shall obtain, and the Consultant shall require the Subcontractor to obtain, all policies described in Exhibit D in the amounts required by the City, which shall not be greater than the amounts required of the Consultant.

**4.4.1.2** The Consultant is obligated to pay the Subcontractor, for Consultant and City-approved invoice amounts, out of amounts paid by the City to the Consultant, not later than fourteen working days from the Consultant's receipt of payment from the City. Nothing in this paragraph shall be construed to impair the right of the Consultant and any Subcontractor to negotiate fair and reasonable pricing and payment provisions among themselves.

**4.4.1.3** In the case of a deficiency in the performance of Subcontractor Services, the Consultant shall notify the City in writing of any withholding of payment to the Subcontractor, specifying: (a) the amount withheld; (b) the specific cause under the terms of the subcontract for withholding payment; (c) the connection between the cause for withholding payment and the amount withheld; and (d) the remedial action the Subcontractor must take in order to receive the amount withheld. Once the Subcontractor corrects the deficiency, the Consultant shall pay the Subcontractor the amount withheld within fourteen working days of the Consultant's receipt of the City's next payment.

**4.4.1.4** In any dispute between the Consultant and Subcontractor, the City shall not be made a party to any judicial or administrative proceeding to resolve the dispute. The Consultant agrees to defend and indemnify the City as described in Article VI of this Agreement in any dispute between the Consultant and Subcontractor should the City be made a party to any judicial or administrative proceeding to resolve the dispute in violation of this position.

**4.4.1.5** The Subcontractor is bound to the City's Equal Opportunity Contracting Program covenants set forth in Article IV, Section 4.6 and Exhibit E of this Agreement.

**4.4.1.6** The City is an intended beneficiary of any work performed by the Subcontractor for purposes of establishing a duty of care between the Subcontractor and the City.

**4.5 ADA Certification.** The Consultant hereby certifies that it agrees to comply with the City's Americans with Disabilities Act Compliance/City Contracts requirements set forth in

Council Policy 100-04, adopted by San Diego Resolution R-282153 and incorporated into this Agreement by this reference.

**4.6 Contract Activity Report.** The Consultant shall submit statistical information to the City as requested in the City's Contract Activity Report [Exhibit E]. The statistical information shall include the amount of subcontracting provided by firms during the period covered by the Contract Activity Report. With the Contract Activity Report, the Consultant shall provide an invoice from each Subcontractor listed in the report. The Consultant agrees to issue payment to each firm listed in the Report within fourteen working days of receiving payment from the City for Subcontractor Services as described in Section 4.4.1.

**4.7 Non-Discrimination Requirements.**

**4.7.1 Compliance with the City's Equal Opportunity Contracting Program.** The Consultant shall comply with the City's Equal Opportunity Contracting Program Consultant Requirements [Exhibit E]. The Consultant shall not discriminate against any employee or applicant for employment on any basis prohibited by law. The Consultant shall provide equal opportunity in all employment practices. The Consultant shall ensure that its Subcontractors comply with the City's Equal Opportunity Contracting Program Consultant Requirements. Nothing in this Section shall be interpreted to hold the Consultant liable for any discriminatory practice of its Subcontractors.

**4.7.2 Non-Discrimination Ordinance.** The Consultant shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring or treatment of Subcontractors, vendors or suppliers. The Consultant shall provide equal opportunity for Subcontractors to participate in subcontracting opportunities. The Consultant understands and agrees that violation of this clause shall be considered a material breach of the contract and may result in contract termination, debarment, or other sanctions. This language shall be in contracts between the Consultant and any Subcontractors, vendors and suppliers.

**4.7.3 Compliance Investigations.** Upon the City's request, the Consultant agrees to provide to the City, within sixty calendar days, a truthful and complete list of the names of all Subcontractors, vendors, and suppliers that the Consultant has used in the past five years on any of its contracts that were undertaken within San Diego County, including the total dollar amount paid by the Consultant for each subcontract or supply contract. The Consultant further agrees to fully cooperate in any investigation conducted by the City pursuant to the City's Nondiscrimination in Contracting Ordinance [San Diego Municipal Code sections 22.3501-22.3517.] The Consultant understands and agrees that violation of this clause shall be considered a material breach of the contract and may result in remedies being ordered against the Consultant up to and including contract termination, debarment, and other sanctions for violation of the provisions of the Nondiscrimination in Contracting Ordinance. The Consultant further understands and agrees that the procedures, remedies and sanctions provided for in the Nondiscrimination Ordinance apply only to violations of said Nondiscrimination Ordinance.

**4.8 Drug-Free Workplace.** The Consultant agrees to comply with the City's Drug-Free Workplace requirements set forth in Council Policy 100-17, adopted by San Diego Resolution R-277952 and incorporated into this Agreement by this reference. The Consultant shall certify to

the City that it will provide a drug-free workplace by submitting a Consultant Certification for a Drug-Free Workplace form [Exhibit F].

**4.8.1 Consultant's Notice to Employees.** The Consultant shall publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the work place, and specifying the actions that will be taken against employees for violations of the prohibition.

**4.8.2 Drug-Free Awareness Program.** The Consultant shall establish a drug-free awareness program to inform employees about all of the following:

**4.8.2.1** The dangers of drug abuse in the work place.

**4.8.2.2** The policy of maintaining a drug-free work place.

**4.8.2.3** Available drug counseling, rehabilitation, and employee assistance programs.

**4.8.2.4** The penalties that may be imposed upon employees for drug abuse violations.

**4.8.3 Posting the Statement.** In addition to Section 4.7.1 above, the Consultant shall post the drug-free policy in a prominent place.

**4.8.4 Subcontractor's Agreements.** The Consultant further certifies that each contract for Subcontractor Services for this Agreement shall contain language that binds the Subcontractor to comply with the provisions of Article IV, Section 4.7 of this Agreement, as required by Sections 2.A.(1) through (3) of Council Policy 100-17. Consultants and Subcontractors shall be individually responsible for their own drug-free work place program.

**4.9 Product Endorsement.** The Consultant acknowledges and agrees to comply with the provisions of City of San Diego Administrative Regulation 95.65, concerning product endorsement. Any advertisement identifying or referring to the City as the user of a product or service requires the prior written approval of the City.

**4.10 Conflict of Interest.** The Consultant is subject to all federal, state and local conflict of interest laws, regulations, and policies applicable to public contracts and procurement practices, including but not limited to California Government Code sections 1090, et. seq. and 81000, et. seq., and the City of San Diego Ethics Ordinance, codified in the San Diego Municipal Code at sections 27.3501 to 27.3595.

**4.10.1** If, in performing the Services set forth in this Agreement, the Consultant makes, or participates in, a "governmental decision" as described in Title 2, section 18701(a)(2) of the California Code of Regulations, or performs the same or substantially all the same duties for the City that would otherwise be performed by a City employee holding a position specified in the department's conflict of interest code, the Consultant shall be subject to a conflict of interest code requiring the completion of one or more statements of economic interests disclosing the Consultant's relevant financial interests.

**4.10.1.1** Statements of economic interests shall be made on Fair Political Practices Commission Form 700 and filed with the City Clerk. The Consultant shall file a Form 700 (Assuming Office Statement) within thirty calendar days of the City's determination that the

Consultant is subject to a conflict of interest code. The Consultant shall also file a Form 700 (Annual Statement) on or before April 1, disclosing any financial interests held during the previous calendar year for which the Consultant was subject to a conflict of interest code.

**4.10.1.2** If the City requires the Consultant to file a statement of economic interests as a result of the Services performed, the Consultant shall be considered a "City Official" subject to the provisions of the City of San Diego Ethics Ordinance, including the prohibition against lobbying the City for one year following the termination of this Agreement.

**4.10.2** The Consultant shall establish and make known to its employees and agents appropriate safeguards to prohibit employees from using their positions for a purpose that is, or that gives the appearance of being, motivated by the desire for private gain for themselves or others, particularly those with whom they have family, business, or other relationships.

**4.10.3** The Consultant's personnel employed for the Services shall not accept gratuities or any other favors from any Subcontractors or potential Subcontractors. The Consultant shall not recommend or specify any product, supplier, or contractor with whom the Consultant has a direct or indirect financial or organizational interest or relationship that would violate conflict of interest laws, regulations, or policies.

**4.10.4** If the Consultant violates any conflict of interest law or any of the provisions in this Section 4.10, the violation shall be grounds for immediate termination of this Agreement. Further, the violation subjects the Consultant to liability to the City for attorney's fees and all damages sustained as a result of the violation.

**4.11 Mandatory Assistance.** If a third party dispute or litigation, or both, arises out of, or relates in any way to the Services provided under this Agreement, upon the City's request, the Consultant, its agents, officers, and employees agree to assist in resolving the dispute or litigation. The Consultant's assistance includes, but is not limited to, providing professional consultations, attending mediations, arbitrations, depositions, trials or any event related to the dispute resolution and/or litigation.

**4.12 Compensation for Mandatory Assistance.** The City will compensate the Consultant for fees incurred for providing Mandatory Assistance as Additional Services under Section 3.3. If, however, the fees incurred for the Mandatory Assistance are determined, through resolution of the third party dispute or litigation, or both, to be attributable in whole, or in part, to the acts or omissions of the Consultant, its agents, officers, and employees, the Consultant shall reimburse the City. The City is then entitled to reimbursement of all fees paid to the Consultant, its agents, officers, and employees for Mandatory Assistance.

**4.13 Attorney Fees related to Mandatory Assistance.** In providing the City with dispute or litigation assistance, the Consultant or its agents, officers, and employees may incur expenses and/or costs. The Consultant agrees that any attorney fees it may incur as a result of assistance provided under Section 4.11 are not reimbursable. The Parties agree this provision does not in any way affect their rights to seek attorney fees under Article VIII, Section 8.8 of this Agreement.

## ARTICLE V

### RESERVED

## ARTICLE VI

### INDEMNIFICATION

**6.1 Indemnification and Hold Harmless Agreement.** With respect to any liability, including but not limited to claims asserted or costs, losses, attorney fees, or payments for injury to any person or property caused or claimed to be caused by the acts or omissions of the Consultant, or Consultant's employees, agents, and officers, arising out of any services performed under this Agreement, the Consultant agrees to defend, indemnify, protect, and hold harmless the City, its agents, officers, and employees from and against all liability. Also covered is liability arising from, connected with, caused by, or claimed to be caused by the active or passive negligent acts or omissions of the City, its agents, officers, or employees which may be in combination with the active or passive negligent acts or omissions of the Consultant, its employees, agents or officers, or any third party. The Consultant's duty to defend, indemnify, protect and hold harmless shall not include any claims or liabilities arising from the sole negligence or sole willful misconduct of the City, its agents, officers or employees.

## ARTICLE VII

### MEDIATION

**7.1 Mandatory Non-binding Mediation.** With the exception of Sections 2.5-2.8 of this Agreement, if a dispute arises out of, or relates to this Agreement, or the breach thereof, and if said dispute cannot be settled through normal contract negotiations, prior to the initiation of any litigation, the Parties agree to attempt to settle the dispute in an amicable manner, using mandatory mediation under the Construction Industry Mediation Rules of the American Arbitration Association [AAA] or any other neutral organization agreed upon before having recourse in a court of law.

**7.2 Mandatory Mediation Costs.** The expenses of witnesses for either side shall be paid by the Party producing such witnesses. All other expenses of the mediation, including required traveling and other expenses of the mediator [Mediator], and the cost of any proofs or expert advice produced at the direct request of the Mediator, shall be borne equally by the Parties, unless they agree otherwise.

**7.3 Selection of Mediator.** A single Mediator that is acceptable to both Parties shall be used to mediate the dispute. The Mediator will be knowledgeable in construction aspects and may be selected from lists furnished by the AAA or any other agreed upon Mediator. To initiate mediation, the initiating Party shall serve a Request for Mediation on the opposing Party. If the Mediator is selected from a list provided by AAA, the initiating Party shall concurrently file with AAA a "Request for Mediation" along with the appropriate fees, a list of three requested Mediators marked in preference order, and a preference for available dates.

**7.3.1** If AAA is selected to coordinate the mediation [Administrator], within ten working days from the receipt of the initiating Party's Request for Mediation, the opposing Party shall file the following: a list of preferred Mediators listed in preference order after striking any Mediators to which they have any factual objection, and a preference for available dates. If the opposing Party strikes all of initiating Party's preferred Mediators, opposing Party shall submit a list of three preferred Mediators listed in preference order to initiating Party and Administrator. Initiating Party shall file a list of preferred Mediators listed in preference order, after striking any Mediator to which they have any factual objection. This process shall continue until both sides have agreed upon a Mediator.

**7.3.2** The Administrator will appoint or the Parties shall agree upon the highest, mutually preferred Mediator from the individual Parties' lists who is available to serve within the designated time frame.

**7.3.3** If the Parties agree not to use AAA, then a Mediator, date and place for the mediation shall be mutually agreed upon.

**7.4 Conduct of Mediation Sessions.** Mediation hearings will be conducted in an informal manner and discovery will not be allowed. All discussions, statements, or admissions will be confidential to the Party's legal position. The Parties may agree to exchange any information they deem necessary.

**7.4.1** Both Parties must have an authorized representative attend the mediation. Each representative must have the authority to recommend entering into a settlement. Either Party may have attorney(s) or expert(s) present. Upon reasonable demand, either Party may request and receive a list of witnesses and notification whether attorney(s) will be present.

**7.4.2** Any agreements resulting from mediation shall be documented in writing. All mediation results and documentation, by themselves, shall be "non-binding" and inadmissible for any purpose in any legal proceeding, unless such admission is otherwise agreed upon, in writing, by both Parties. Mediators shall not be subject to any subpoena or liability and their actions shall not be subject to discovery.

## ARTICLE VIII

## INTELLECTUAL PROPERTY RIGHTS

**8.1 Work for Hire.** All original designs, plans, specifications, reports, documentation, and other informational materials, whether written or readable by machine, originated or prepared exclusively for the City pursuant to this Agreement (Deliverable Materials) is "work for hire" under the United States Copyright law and shall become the sole property of the City. The Consultant, including its employees, and independent Subcontractor(s), shall not assert any common law or statutory patent, copyright, trademark, or any other intellectual proprietary right to the City to the deliverable Materials.

**8.2 Rights in Data.** All rights (including, but not limited to publication(s), registration of copyright(s), and trademark(s)) in the Deliverable Materials, developed by the Consultant, including its employees, agents, talent and independent Subcontractors pursuant to this Agreement are the sole property of the City. The Consultant, including its employees, agents, talent, and independent Subcontractor(s), may not use any such Product mentioned in this article for purposes unrelated to Consultant's work on behalf of the City without prior written consent of the City.

**8.3 Intellectual Property Rights Assignment** Consultant, its employees, agents, talent, and independent Subcontractor(s) agree to promptly execute and deliver, upon request by City or any of its successors or assigns at any time and without further compensation of any kind, any power of attorney, assignment, application for copyright, patent, trademark or other intellectual property right protection, or other papers or instruments which may be necessary or desirable to fully secure, perfect or otherwise protect to or for the City, its successors and assigns, all right, title and interest in and to the content of the Deliverable Materials; and cooperate and assist in the prosecution of any action or opposition proceeding involving said rights and any adjudication of the same.

**8.4 Moral Rights** Consultant, its employees, agents, talent, and independent Subcontractor(s) hereby irrevocably and forever waives, and agrees never to assert, any Moral Rights in or to the Deliverable Materials which Consultant, its employees, agents, talent, and independent Subcontractor(s), may now have or which may accrue to Consultant, its employees, agents, talent, and independent Subcontractor(s)' benefit under U.S. or foreign copyright laws and any and all other residual rights and benefits which arise under any other applicable law now in force or hereafter enacted. The term "Moral Rights" shall mean any and all rights of paternity or integrity of the and the right to object to any modification, translation or use of said content, and any similar rights existing under judicial or statutory law of any country in the world or under any treaty, regardless of whether or not such right is denominated or referred to as a moral right.

**8.5 Subcontracting** In the event that Consultant utilizes a Subcontractor(s) for any portion of the Work that is in whole or in part of the specified Deliverable(s) to the City, the agreement between Consultant and the Subcontractor [Subcontractor Agreement] shall include a statement that identifies that the Deliverable/Work product as a "work-for hire" as defined in the Act and that all intellectual property rights in the Deliverable/Work product, whether arising in copyright, trademark, service mark or other belongs to and shall vest solely with the City. Further, the Subcontractor Agreement shall require that the Subcontractor, if necessary, shall grant, transfer, sell and assign, free of charge, exclusively to the City, all titles, rights and interests in and to said



Work/Deliverable, including all copyrights and other intellectual property rights. City shall have the right to review any Subcontractor agreement for compliance with this provision.

**8.6 Publication.** Consultant may not publish or reproduce any Deliverable Materials, for purposes unrelated to Consultant's work on behalf of the City without prior written consent of the City.

**8.7 Intellectual Property Warranty and Indemnification.** Consultant represents and warrants that any materials or deliverables, including all Deliverable Materials, provided under this contract are either original, not encumbered and do not infringe upon the copyright, trademark, patent or other intellectual property rights of any third party, or are in the public domain. If Deliverable Materials provided hereunder become the subject of a claim, suit or allegation of copyright, trademark or patent infringement, City shall have the right, in its sole discretion, to require Consultant to produce, at Consultant's own expense, new non-infringing materials, deliverables or Works as a means of remedying any claim of infringement in addition to any other remedy available to the City under law or equity. Consultant further agrees to indemnify and hold harmless the City, its officers, employees and agents from and against any and all claims, actions, costs, judgments or damages of any type alleging or threatening that any materials, deliverables, supplies, equipment, services or Works provided under this contract infringe the copyright, trademark, patent or other intellectual property or proprietary rights of any third party (Third Party Claims of Infringement). If a Third Party Claim of Infringement is threatened or made before Consultant receives payment under this contract, City shall be entitled, upon written notice to Consultant, to withhold some or all of such payment.

**8.8 Enforcement Costs.** The Consultant agrees to pay any and all costs the City incurs enforcing the indemnity and defense provisions set forth in Article 8, including but not limited to, attorney's fees.

## ARTICLE IX

### MISCELLANEOUS

**9.1 Notices.** In all cases where written notice is required under this Agreement, service shall be deemed sufficient if the notice is deposited in the United States mail, postage paid. Proper notice shall be effective on the date it is mailed, unless provided otherwise in this Agreement. For the purpose of this Agreement, unless otherwise agreed in writing, notice to the City shall be addressed to: City of San Diego, Debt Management, Department of Finance, 202 C Street MS7B, San Diego CA 92101 and notice to the Consultant shall be addressed to: Montague DeRose and Associates, LLC, 3100 Oak Road, Suite 210, Walnut Creek, CA 94597

**9.2 Headings.** All article headings are for convenience only and shall not affect the interpretation of this Agreement.

**9.3 Non-Assignment.** The Consultant shall not assign the obligations under this Agreement, whether by express assignment or by sale of the company, nor any monies due or to become due, without the City's prior written approval. Any assignment in violation of this paragraph shall constitute a Default and is grounds for immediate termination of this Agreement, at the sole discretion of the City. In no event shall any putative assignment create a contractual relationship between the City and any putative assignee.

**9.4 Independent Contractors.** The Consultant and any Subcontractors employed by the Consultant shall be independent contractors and not agents of the City. Any provisions of this Agreement that may appear to give the City any right to direct the Consultant concerning the details of performing the Services, or to exercise any control over such performance, shall mean only that the Consultant shall follow the direction of the City concerning the end results of the performance.

**9.5 Consultant and Subcontractor Principals for Consultant Services.** It is understood that this Agreement is for unique Professional Services. Retention of the Consultant's Professional Services is based on the particular professional expertise of the following members of the Consultant's organization: Jim Bemis, Darlene DeRose, Chia Yang, and Gerald Slater [Project Team]. Accordingly, performance of Professional Services on the Project may not be delegated to other members of the Consultant's organization or to Subcontractors without the prior written consent of the City. It is mutually agreed that the members of the Project Team are the principal persons responsible for delivery of all Professional Services and may not be removed from the Project without the City's prior written approval. Removal of any member of the Project Team without notice and approval by the City may be considered a default of the terms and conditions of this Agreement by the Consultant. In the event any member of the Project Team becomes unavailable for any reason, the City must be consulted as to any replacement. If the City does not approve of a proposed replacement, the City may terminate this Agreement pursuant to section 2.6 of this Agreement. Further, the City reserves the right, after consultation with the Consultant, to require any of the Consultant's employees or agents to be removed from the Project

**9.6 Covenants and Conditions.** All provisions of this Agreement expressed as either covenants or conditions on the part of the City or the Consultant shall be deemed to be both covenants and conditions.

**9.7 Compliance with Controlling Law.** The Consultant shall comply with all laws, ordinances, regulations, and policies of the federal, state, and local governments applicable to this Agreement. In addition, the Consultant shall comply immediately with all directives issued by the City or its authorized representatives under authority of any laws, statutes, ordinances, rules, or regulations. The laws of the State of California shall govern and control the terms and conditions of this Agreement.

**9.8 Jurisdiction and Attorney Fees.** The jurisdiction and applicable laws for any suit or proceeding concerning this Agreement, the interpretation or application of any of its terms, or any related disputes shall be in accordance with the laws of the State of California. The prevailing Party in any such suit or proceeding shall be entitled to a reasonable award of attorney fees in addition to any other award made in such suit or proceeding.

**9.9 Successors in Interest.** This Agreement and all rights and obligations created by this Agreement shall be in force and effect whether or not any Parties to the Agreement have been succeeded by another entity, and all rights and obligations created by this Agreement shall be vested and binding on any Party's successor in interest.

**9.10 Integration.** This Agreement and the Exhibits and references incorporated into this Agreement fully express all understandings of the Parties concerning the matters covered in this Agreement. No change, alteration, amendment, or modification of the terms or conditions of this Agreement, and no verbal understanding of the Parties, their officers, agents, or employees shall be

valid unless made in the form of a written change agreed to in writing by both Parties. All prior negotiations and agreements are merged into this Agreement.

**9.11 Counterparts.** This Agreement may be executed in counterparts, which when taken together shall constitute a single signed original as though all Parties had executed the same page.

**9.12 No Waiver.** No failure of either the City or the Consultant to insist upon the strict performance by the other of any covenant, term or condition of this Agreement, nor any failure to exercise any right or remedy consequent upon a breach of any covenant, term, or condition of this Agreement, shall constitute a waiver of any such breach of such covenant, term or condition. No waiver of any breach shall affect or alter this Agreement, and each and every covenant, condition, and term hereof shall continue in full force and effect to any existing or subsequent breach.

**9.13 Severability.** The unenforceability, invalidity, or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid, or illegal.

**9.14 Additional Consultants or Contractors.** The City reserves the right to employ, at its own expense, such additional Consultants or contractors as the City deems necessary to perform work or to provide the Services.

**9.15 Employment of City Staff.** This Agreement may be unilaterally and immediately terminated by the City, at its sole discretion, if the Consultant employs an individual who, within the last twelve months immediately preceding such employment did, in the individual's capacity as an officer or employee of the City, participate in, negotiate with, or otherwise have an influence on the recommendation made to the City Council or Mayor in connection with the selection of the Consultant.

**9.16 Municipal Powers.** Nothing contained in this Agreement shall be construed as a limitation upon the powers of the City as a chartered city of the State of California.

**9.17 Drafting Ambiguities.** The Parties agree that they are aware that they have the right to be advised by counsel with respect to the negotiations, terms and conditions of this Agreement, and the decision of whether or not to seek advice of counsel with respect to this Agreement is a decision which is the sole responsibility of each Party. This Agreement shall not be construed in favor of or against either Party by reason of the extent to which each Party participated in the drafting of the Agreement.

**9.18 Conflicts Between Terms.** If an apparent conflict or inconsistency exists between the main body of this Agreement and the Exhibits, the main body of this Agreement shall control. If a conflict exists between an applicable federal, state, or local law, rule, regulation, order, or code and this Agreement, the law, rule, regulation, order, or code shall control. Varying degrees of stringency among the main body of this Agreement, the Exhibits, and laws, rules, regulations, orders, or codes are not deemed conflicts, and the most stringent requirement shall control. Each Party shall notify the other immediately upon the identification of any apparent conflict or inconsistency concerning this Agreement.

**9.19 Exhibits Incorporated.** All Exhibits referenced in this Agreement are incorporated into the Agreement by this reference.

000725

**9.20 Survival of Obligations.** All representations, indemnifications, warranties and guarantees made in, required by or given in accordance with this Agreement, as well as all continuing obligations indicated in this Agreement, shall survive, completion and acceptance of the Professional Services and termination or completion of the Agreement.

*The remainder of this page has intentionally been left blank.*

000726

IN WITNESS WHEREOF, this Agreement is executed by the City of San Diego, acting by and through its Mayor or designee, pursuant to Charter Section 265 authorizing such execution, and by the Consultant (pursuant to relevant corporate documents, if applicable).

I HEREBY CERTIFY that I can legally bind Montague DeRose and Associates, LLC and that I have read all of this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

<b>Montague DeRose and Associates, LLC</b>	<b>CITY OF SAN DIEGO A MUNICIPAL CORPORATION</b>
<b>BY:</b>	<b>BY:</b>
<b>Jim Bemis, Principal</b>	<b>Tammy Rimes, Deputy Director</b>
<b>DATE SIGNED</b> _____	<b>DATE SIGNED</b> _____
<b>I HEREBY APPROVE the form and legality of the foregoing Agreement this</b> _____ <b>day of</b> _____, <b>2008.</b>	
	<b>Michael Aguirre, City Attorney:</b>  <b>By:</b> _____ <b>Deputy City Attorney</b>  <b>DATE SIGNED</b> _____

000727

**EXHIBITS**

**NON-DESIGN PROFESSIONAL CONSULTANT AGREEMENT**

- Exhibit A - Scope of Services
- Exhibit B - Compensation and Fee Schedule
- Exhibit C - Time Schedule
- Exhibit D - Insurance
- Exhibit E - City's Equal Opportunity Contracting Program Consultant Requirements
- Exhibit F - Consultant Certification for a Drug-Free Workplace
- Exhibit G - Community Reinvestment Program

**EXHIBIT A**  
**SCOPE OF SERVICES**

GENERAL SERVICES

The Consultant shall assist with and provide support for coordinating the planning and execution of the 2008 Deferred Maintenance financing ("the financing"). The financing will include proceeds for the City's projects, funding for any required debt service reserves, and any applicable costs of issuance. In that the Consultant is solely representing the interests of the City, the overall coordination of the financing shall be undertaken in such a manner as to minimize the costs of the transaction coincident with maximizing the City's financing flexibility and capital market access. The Consultant agrees to provide project related financial advisory services to the City for the financing as follows:

SPECIFIC SERVICES

1. **Advise the City on Note issue structure and terms.** Evaluate the City's projected cash flows and Financing Plan structure, and analyze the advantages and disadvantages of proposed financing alternatives. Advise the City on the transaction structure and terms. Evaluate existing and expected financial market conditions, pertinent concerns related to the pending issuance, and the financing time schedule associated with the City's Financing. When requested, brief the City on current municipal market conditions, and discuss how other external factors could favorably or unfavorably affect the City's proposed financing.
2. **Participate in the Lender selection process.** Assist with the preparation of the Request of Proposal for the Note financing. Review and evaluate Lender Proposals.
3. **Attend meetings as required.** Assist with the preparation for and participate in meetings with City officials and staff, the financing team and other participants as needed.
4. **Review the schedule and coordinate project participants.** As feasible, assist with coordinating the planning and execution of the financing with city staff and bond counsel. These services shall include, but not be limited to, the establishment of a financing timetable and development of work schedules necessary to achieve the sale of the Notes in a timely, efficient, and cost-effective manner.
5. **Review documents and comment on all documents for the financing.** Review all Note documents, including but not limited to, any feasibility consultant reports, trust indentures, acquisition and funding agreements, loan agreements, reimbursement contracts, purchase

contracts, remarketing agreements, and any other contractual agreements or documents that may be necessary to issue the debt instruments chosen by the City for the project. If requested, the Consultant shall provide satisfactory certifications to the City's Disclosure Practices Working Group in connection with any debt issuance.

6. **Prepare, Attend or Deliver presentations.** If requested, prepare, attend, or deliver presentations or meetings, as appropriate, to the City Council, Council Committees, or other audience as identified by the City.
7. **Procure requisite services.** At the City's direction, act as the City's agent in procuring the services of a printer, trustee, paying agent, or any other services deemed necessary by the City related to the financing.
8. **Provide sizing and pricing analysis and support.** Provide sizing and pricing analysis and advise on market factors and trends and discuss how other external factors could favorably or unfavorably affect the City's proposed financing
9. **Assist in closing.** Assist all parties involved in the sale of the Note with the completion of required tasks, including printing, preparation of closing documents, and arrangement for the efficient transfer and investment of funds.
10. **Provide post-issuance services.** Provide a post-sale analysis that includes details, if available, about market conditions, results of Note pricing, participation of the Lender, and an analysis of the distribution of Notes by investor type. If requested by the City, provide advice on investment of Note proceeds or assist in the procurement of an investment broker. Recommend investment strategies that optimize investment earnings without sacrificing the security of the principal.

#### MISCELLANEOUS

1. The Consultant will not use more than one Montague DeRose staff member for the same specific task, including meetings, without the City's approval.
2. The City and the Consultant shall mutually agree as to the method and manner of performing the services described herein.
3. It has been determined that, based on the scope of services set forth in this agreement, employees of Montague DeRose and Associates, LLC do not meet the definition of "consultant" as stated in the Regulations of the Fair Political Practices Commission, Title 2, Division 6 of the California Code of Regulations (Chapter 7, Article 1, Section 18701). Accordingly, such employees are not required to file Form 700 (Assuming Office Statement) in connection with this agreement.



**EXHIBIT B****COMPENSATION AND FEE SCHEDULE****A. INVOICES**

The Financial Advisor shall submit detailed invoices for services performed to the City on a monthly basis. All invoices should include the names and rates of pay for the personnel who have performed services on behalf of the City, the hours worked, and details of reasonable and necessary out-of-pocket expenses. Additionally, invoices should clearly separate the fees and charges submitted in accordance with the categories of work listed in Exhibit A.

**B. COMPENSATION**

The total cost for all services provided under this Agreement shall not exceed \$37,500 dollars (\$), for the life of the contract, and all reasonable and necessary expenses as described in Exhibit A. Billing rates, by title, for the services provided are outlined in the table below.

<b>Title</b>	<b>Hourly Rate</b>
Principal/Sr. Managing Director	\$300.00
Managing Director	\$285.00
Senior Vice President	\$265.00
Vice President	\$245.00
Assistant Vice President	\$225.00
Associate	\$205.00
Analyst	\$195.00
Research Analyst	\$185.00

**C. EXPENSES**

1. In addition to the fees specified in Section B above, the Consultant shall be paid, at the time provided for payment of fees, their reasonable and necessary expenses. Those expenses shall include, but not be limited to, deliveries, photocopies, binding services,

000731

telephone calls, messenger services, travel, hotels, taxis, and meals incurred in connection with the services pertaining to this Agreement. Pre-approval of travel will be obtained from the City. Additional fees and expenses under this Agreement shall not exceed \$5,000.

2. The Consultant shall provide documentation for all reasonable and necessary expenses, *including receipts for all items more than one hundred dollars (\$100.00).*
3. In no event shall the total amount of reimbursement to the Consultant for expenses exceed \$5,000.00.

D PAYMENT

The City hereby agrees to pay all proper invoices for project related consultant services within forty-five (45) days of receipt of the invoice. Invoices will be paid through funds available in the Cost of Issuance fund established with the City Treasurer's Office Investment Division.

000732

**EXHIBIT C**  
**TIME SCHEDULE**

This Agreement shall be effective as of November 1, 2007 ("Effective Date") and continue until completion of the Scope of Services, or upon written notice of cancellation. This Agreement may be extended at the mutual consent of the Consultant and the City.

**EXHIBIT D**  
**INSURANCE**

1. **Types of Insurance.** At all times during the term of this Agreement, the Consultant shall maintain insurance coverage as follows:

**1.1 Commercial General Liability.** Commercial General Liability (CGL) Insurance written on an ISO Occurrence form CG 00 01 07 98 or an equivalent form providing coverage at least as broad which shall cover liability arising from any and all personal injury or property damage in the amount of (\$1,000,000.00) one million dollars per occurrence and subject to an annual aggregate of (\$1,000,000.00) one million dollars. There shall be no endorsement or modification of the CGL limiting the scope of coverage for either insured vs. insured claims or contractual liability. All defense costs shall be outside the limits of the policy.

**1.2 Commercial Automobile Liability.** For all of the Consultant's automobiles including owned, hired and non-owned automobiles, the Consultant shall keep in full force and effect, automobile insurance written on an ISO form CA 00 01 12 90 or a later version of this form or an equivalent form providing coverage at least as broad for bodily injury and property damage for a combined single limit of (\$1,000,000.00) one million dollars per occurrence. Insurance certificate shall reflect coverage for any automobile (any auto).

**1.3 Workers' Compensation.** For all of the Consultant's employees who are subject to this Agreement and to the extent required by the applicable state or federal law, the Consultant shall keep in full force and effect, a Workers' Compensation policy. That policy shall provide a minimum of (\$1,000,000.00) one million dollars of employers' liability coverage, and the Consultant shall provide an endorsement that the insurer waives the right of subrogation against the City and its respective elected officials, officers, employees, agents and representatives.

2. **Deductibles.** All deductibles on any policy shall be the responsibility of the Consultant and shall be disclosed to the City at the time the evidence of insurance is provided.

3. **Acceptability of Insurers.**

**3.1** Except for the State Compensation Insurance Fund, all insurance required by this Contract or in the Special General Conditions shall only be carried by insurance companies with a rating of at least "A-, VI" by A.M. Best Company, that are authorized by the California Insurance Commissioner to do business in the State of California, and that have been approved by the City.

**3.2** The City will accept insurance provided by non-admitted, "surplus lines" carriers only if the carrier is authorized to do business in the State of California and is included on the List of Eligible Surplus Lines Insurers (LESLI list). All policies of insurance carried by non-admitted carriers are

subject to all of the requirements for policies of insurance provided by admitted carriers described herein.

#### 4. Required Endorsements

The following endorsements to the policies of insurance are required to be provided to the City before any work is initiated under this Agreement.

##### 4.1 Commercial General Liability Insurance Endorsements

**ADDITIONAL INSURED.** To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an Insured the City of San Diego and its respective elected officials, officers, employees, agents and representatives with respect to liability arising out of (a) ongoing operations performed by you or on your behalf, (b) your products, (c) your work, including but not limited to your completed operations performed by you or on your behalf, or (d) premises owned, leased, controlled or used by you.

**PRIMARY AND NON-CONTRIBUTORY COVERAGE.** The policy or policies must be endorsed to provide that the insurance afforded by the Commercial General Liability policy or policies is primary to any insurance or self-insurance of the City of San Diego and its elected officials, officers, employees, agents and representatives as respects operations of the Named Insured. Any insurance maintained by the City of San Diego and its elected officials, officers, employees, agents and representatives shall be in excess of Consultant's insurance and shall not contribute to it.

**CANCELLATION.** Except as provided for under California Law, the policy or policies must be endorsed to provide that the City is entitled to thirty (30) days prior written notice (10 days for cancellation due to non-payment of premium) of cancellation or non-renewal of the policy or policies. Such notice shall be addressed to the City at the address specified in Section 9.1 "Notices."

**SEVERABILITY OF INTEREST.** The policy or policies must be endorsed to provide that the Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability and shall provide cross-liability coverage.

##### 4.2 Automobile Liability Insurance Endorsements

**ADDITIONAL INSURED.** To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an Insured the City of San Diego and its respective elected officials, officers, employees, agents and representatives with respect to liability arising out of automobile owned, leased, hired or borrowed by or on behalf of the Consultant.

**CANCELLATION.** Except as provided for under California Law, the policy or policies must be endorsed to provide that the City is entitled to thirty (30) days prior written notice (10 days for cancellation due to non-payments of premium) of cancellation or non-renewal of the policy or policies. Such

notice shall be addressed to the City at the address specified in Section 9.1 "Notices."

**SEVERABILITY OF INTEREST.** The policy or policies must be endorsed to provide that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability and shall provide cross-liability coverage.

**4.3 Worker's Compensation and Employer's Liability Insurance Endorsements**

**CANCELLATION.** Except as provided for under California law, the policy or policies must be endorsed to provide that the City is entitled to thirty (30) days prior written notice (10 days for cancellation due to non-payment of premium) of cancellation or non-renewal of the policy or policies. Such notice shall be addressed to the City at the address specified in Section 9.1 "Notices."

**4.4 WAIVER OF SUBROGATION.** The Worker's Compensation policy or policies must be endorsed to provide that the insurer will waive all rights of subrogation against the City and its respective elected officials, officers, employees, agents and representatives for losses paid under the terms of this policy or these policies which arise from work performed by the Named Insured for the City.

5. **Reservation of Rights.** The City reserves the right, from time to time, to review the Consultant's insurance coverage, limits, deductible and self-insured retentions to determine if they are acceptable to the City. The City will reimburse the Consultant for the cost of the additional premium for any coverage requested by the City in excess of that required by this Agreement without overhead, profit, or any other markup.
6. **Additional Insurance.** The Consultant may obtain additional insurance not required by this Agreement.
7. **Excess Insurance.** All policies providing excess coverage to the City shall follow the form of the primary policy or policies including but not limited to all endorsements.

000736

**EXHIBIT E**

**EQUAL OPPORTUNITY CONTRACTING PROGRAM (EOCP)  
CONTRACTOR REQUIREMENTS**

The Consultant's hiring or retaining of any Subcontractors to perform services is subject to prior written approval by the City. Should the Consultant retain Subcontractors with the City's written approval, the Consultant shall comply with all Equal Opportunity Contracting (EOC) requirements. For applicable rules and forms see: <http://www.sandiego.gov/eoc/index.shtml>.

000737

EXHIBIT F

CONSULTANT CERTIFICATION FOR A DRUG-FREE WORKPLACE

PROJECT TITLE: \_\_\_\_\_  
\_\_\_\_\_

I hereby certify that I am familiar with the requirement of San Diego City Council Policy No.100-17 regarding Drug-Free Workplace as outlined in the request for proposals, and that:

\_\_\_\_\_  
Name under which business is conducted

( ) has in place a drug-free workplace program that complies with said policy. I further certify that each subcontract agreement for this project contains language which indicates the Subcontractors agreement to abide by the provisions of Section 4.9.1 subdivisions A through C of the policy as outlined.

Signed \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

( )



000738

**EXHIBIT G**

**COMMUNITY REINVESTMENT PROGRAM**

It is the policy of the City to encourage financial institutions doing business within its boundaries to develop and implement San Diego-specific community reinvestment programs consistent with the spirit of the Community Reinvestment Act of 1977 ("CRA").

If the Financial Advisor is projecting total annual compensation in excess of \$100,000 from the City of San Diego, and the Financial Advisor's total assets exceed \$250 million, the Financial Advisor is requested to provide information with respect to any San Diego-specific reinvestment program currently in place, as well as information regarding any reinvestment activities undertaken by the Financial Advisor in San Diego consistent with the spirit of the CRA. This information shall be made available by the City to the San Diego City-County Reinvestment Task Force for compilation and analysis. Forward this information directly to Jyothi Pantulu by \_\_\_\_\_, 2008 at the address below:

City of San Diego  
Debt Management, Department of Finance  
202 C Street, MS7B  
San Diego, CA 92101

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